United States Court of Appeals

for the Second Circuit

EXHIBITS

Exhibit Q

73-12-36

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

- - - - - - - - - -

Docket 22388

EXPRESS SERVICE INVESTIGATION

- - - - - - - - - -

Decided: December 7, 1973

1. Agreements providing for air express service between REA Express, Inc., and participating scheduled airlines and among the participating airlines disapproved, and prior approvals withdrawn.

2. Exemption authority of REA Express, Inc., to conduct air express service terminated.

3. REA Express, Inc., awarded air freight forwarder authority.

4. Scheduled air carriers found to have obligation to offer priority service as part of their duty to provide adequate interstate and overseas air transportation.

OPINION

BY THE BOARD:

I. INTRODUCTION

This is a proceeding to explore the role of express service in air transportation. The crucial issue in the proceeding, from the start, has been what action the Board should take in respect to the indirect air carrier authority of REA Express, Inc., and the related agreements between the various airlines and REA.

Administrative Law Judge James S. Keith concluded, after presiding at a lengthy hearing on the matter, that express service in its present form serves a useful public purpose and should be maintained basically without change. In support thereof he found (1) that there are important differences between air express and other forms of air freight, i.e., that air express is cheaper, faster, provides more comprehensive geographic and commodity coverage, and enjoys the exclusive benefit of priority treatment by the airlines; (2) that the present type of inter-airline agreement and the type of agreement between the airlines and REA are essential to the existence of air express service and should therefore be continued; and (3) that REA is the only qualified ground agency willing and able to enter into agreement with the airlines to provide air express service, and should therefore be continued as the exclusive indirect air carrier of express.

By Order 72-6-27, June 6, 1972, the Board exercised its right of discretionary review. Briefs were filed by Allied American Bird Co. (Allied), Bureau of Operating Rights (BOR), REA Express, Inc. (REA) and

Southern Pacific Air Freight, Inc. (SPAF). The Air Freight Forwarders Association (AFFA), Emery Air Freight Corporation (Emery), the National Industrial Traffic League (NITL), and the Participating Airlines (airlines) adopted their briefs to Judge Keith as their briefs to the Board.

The airlines generally agree with the findings and conclusions of Judge Keith.

REA agrees with Judge Keith's conclusions concerning the utility of air express and REA's role as the exclusive indirect carrier thereof. But it contends that the judge failed to take steps necessary to insure the continuation of REA and express service. REA claims that if the Board maintains the status quo, as recommended by the administrative law judge, it will not be able to continue to provide service in many markets. In order to avoid this result, it urges the Board to adopt three courses of action. First, the Board should award REA permanent authority as the exclusive indirect carrier of express. Second, it should reform the airline-REA agreement so as to (1) eliminate rules therein that require REA to divide up shipments among all available air carriers; (2) permit REA to offer the shipping public air express tariffs free of airline control; and (3) permit REA to consolidate and containerize air express traffic. Third, the Board should award REA air freight forwarder authority in addition to its exclusive air express authority. In this respect, REA maintains that it needs air freight forwarder authority in order to spread the costs of air express over a greater volume of business than air express is capable of generating.

The two shipper parties, NITL and Allied, agree that there is a need for air express service. NITL supports the findings and conclusions of the Initial Decision. Allied wants the Board to take steps to eliminate the threat of a discontinuance of air express service resulting from the inability of the airlines and REA to agree to terms.

BOR and AFFA urge the Board to cancel the air express agreements and to terminate REA's exemption. In their view: (1) there are no material distinctions between air express service and air freight service provided by the airlines directly or by the forwarders indirectly, and that accordingly, there is no basis for affording REA different regulatory treatment from the forwarders; (2) the present air express arrangement is otherwise contrary to the public interest. BOR and AFFA generally agree that there is a need for air freight services of a highly expedited character to handle freight involving life or death commodities, highly perishable products, or articles that must reach consignees particularly rapidly for various reasons. To accommodate this type of traffic, BOR recommends that the direct air carriers file tariff rates and rules providing for whatever special handling may be required. Such tariffs would be available not only to the air freight forwarders and the general public, but also to REA, which should be given air freight forwarding authority under Part 296 of the Economic Regulations. 1/

Oral argument has been heard, and the case stands submitted for decision.

1/ Emery and SPAF generally agree with the BOR position. However, Emery would limit the high priority tariff to "humanitarian commodities" and those critical to the national defense. SPAF is willing to accept BOR's proposal, but, if the concept of air express is maintained, SPAF urges that a limited number of forwarders now offering an express type service also be granted air express authority.

II. SUMMARY

Earlier Board decisions established air express as a separate service, apart from all other air cargo services, and granted REA a monopoly to conduct that service. For some time, however, REA's operations have been on the brink of extinction. In the first place, the very existence of express service today is wholly dependent upon a 1970 court decree requiring REA and the airlines to continue service. Not only have the parties been unable to agree on the terms of express service, but their long-smoldering disputes threaten to erupt again in the future, thus jeopardizing the express scheme. Secondly, REA is financially impoverished and, by its own statement, does not want to continue service under the present regime.

The real issue, therefore, is not whether to continue the separate service known as air express, but whether to attempt to change it -- or to replace it entirely. Neither choice is inviting. The first alternative requires strengthening REA's monopoly position at the expense of the airlines and forwarders and, quite likely, shippers as well. The second alternative is to let air express become part of the general air cargo business and, by licensing REA as a forwarder, allow REA and other forwarders to serve all or most of this market, probably at somewhat higher rates. Either alternative entails some risks and uncertainties about the future. As we see it, the latter choice is the best available to us.

REA seeks to expand its present authority because it cannot continue air express service unless it returns to profitability. To accomplish this, REA

insists that it not only be allowed to maintain its stranglehold over air express, but also be given an air freight forwarder's license. But the Board cannot find that REA's possession of dual air express-air freight forwarder authority would be in the public interest. On the contrary, it would place REA in a position to dominate the entire indirect air carrier industry,with consequent adverse impact on the development of air freight. It would cause serious confusion for REA's customers as to nature of the services any given shipments would receive. And it would divert REA's energies away from small shipment, small community, service.

In any event, REA's partners in express service, the airlines, have served notice that they would refuse to enter into an air express agreement if REA acquires dual authority. So this option is not available as a practical matter.

In addition, REA wants the Board to reform its express agreement with the airlines so that REA would have ratemaking powers free from airline veto. That request is neither feasible nor desirable; it would only breed a host of new problems. Again, independent rate authority would simply divert REA's energies away from small shipment, small community traffic. It would present insoluble regulatory problems since the data needed to evaluate proposed rate changes would not be available. And it would increase the likelihood of sudden disruption of service resulting from irreconcilable differences arising between the airlines and REA. Finally, to the extent REA's proposal could be put into effect, the likelihood is high that the grant of independent ratemaking authority would not increase REA's traffic enough to make REA profitable again.

Because of these reasons, REA cannot be given the authority it seeks -- unless the chance that it could thereby continue its separate express service is so vital that it outweighs all other considerations. That is not the case. For, as this nation's general air freight industry has grown and developed, many of air express' historical advantages have withered away. No longer is air express faster than general air freight service. The priority status of air express shipments rarely has any impact, and in any event, shipper requirements for priority service can best be made by airline tariffs specifically intended to meet those needs. Finally, in terms of geographical and commodity coverage, few (if any) points, and no commodities, will go unserved as a result of the termination of air express. In sum, an end to air express will not deprive the public of any unique services.

This decision marks a change from the Board's 1948 conclusion that "the public interest requires the continuance of [REA's] air express service."[2/] That finding, which was not meant to be binding for all time, reflected the infant state of the new air freight industry. Until 1944, all air cargo was carried as air express. The first airline began carrying air freight (as distinct from air express) that year; and the first forwarders were

---

2/ Air Freight Forwarder Case, 9 C.A.B. 473, 483. Even at that time, the airlines regarded the REA arrangement as temporary "until the airlines as a group were ready to take over all express operations." See National Air Freight Forwarding Corp. v. C.A.B., 197 F.2d 384, 388 (D.C. Cir. 1952). In 1955, without a full-fledged re-examination about whether an express service (separate from air freight) was still needed, the Board continued REA's authority on the ground that, at that time, "There is no substitute available * * *." Air Freight Forwarder Investigation, 21 C.A.B. 536, 564, 630. Of course, even after REA's express authority terminates, the airlines remain free at all times to provide express service themselves.

authorized to begin operations in 1948. Standing then at the beginning of a new era, the Board could not know that twenty-five years hence REA would be nearly destitute, that the newly-authorized forwarders would be offering fast, comprehensive service, that REA would be unwilling to continue nationwide express service except with drastically expanded authority, and that the likelihood would be low that REA could continue its existing service even were that new authority to be granted. As a result of these developments, the Board no longer has the option to continue express service in the format contemplated in 1948, and consequently, cannot reach the same conclusion.

In contemplating air express' demise, the Board is aware that this service offers the lowest nongovernmental rates 3/ to many small-package shippers. This would be a compelling reason to continue air express if that were possible. Indeed, the Board has given serious thought to inviting the parties to continue operations under the present contractual arrangements. Even if REA were willing, however, it would be forced to curtail many of the present services which have justified keeping air express as a separate service. And once REA is reduced to paralleling those services which airlines (and forwarders) already provide, the airlines' continued willingness to support REA as both a partner and a competitor is open to doubt. Moreover, although REA might somehow muddle through for awhile, it would only be postponing the inevitable collapse. For, under any arrangement satisfactory to the airlines, REA cannot cure its financial plight. And, if REA gains basic advantages it seeks, it cannot avoid rancorous disputes with the airlines. Whether or not the arrangement is revised, express service will remain in chronic danger of sudden suspension.

3/ U.S. Postal Service rates are often lower than those of air express. See p. 23, n. 30, infra.

The time has come to lay a solid groundwork for a dependable small-package service. That is not possible so long as REA's express service continues to exist. For, while REA continues its monopoly, and offers its low rates, air freight forwarders cannot economically afford to expand into REA's special markets and offer competitive small-package service. Once air express markets are opened to all, including REA, small-package shippers will have the chance to gain the benefit of a truly dependable service. And they will be released from the constant threat that the only available service will suddenly disappear.

In the long run, we believe, this result will best serve both the public and REA. Once REA becomes an air freight forwarder instead of an express carrier, it will be freed of artificial constraints and have a genuine opportunity to rehabilitate its finances. Moreover, once the express monopoly ends, both airlines and freight forwarders will be encouraged to fill any service voids and to achieve, as a result of competition, a more optimum balance of price and service. 4/

4/ Except to the extent modified herein, we adopt as our own the findings and conclusions of Judge Keith.

III. BACKGROUND

Air express is one of the three types of federally regulated air-cargo service available to the shipping public today.[5/] It is a service of the scheduled air carriers[6/] and REA,[7/] and is provided pursuant to two inter-airline agreements. The first (Agreement CAB 12866) organizes the airlines into a collective unit for the purpose of dealing with the matter of air express service and with REA (the "ground agent") through an authorized Air Express Negotiating Committee. The second (Agreement CAB 17935) joins the airlines and REA (the chosen ground agent) into a type of partnership for the provision of air express service.[8/] Under the Air Express Agreement, it is the responsibility of the airlines to provide airport-to-airport service for a "normal" amount of air express on a priority basis, and it is REA's obligation to provide various ground and administrative services. However, at the airports where REA has no airport field offices (approximately 85 percent of the air carrier airports in the country), the air carriers perform all ground services (such as transfers between aircraft, routing of shipments, receiving and delivery over-the-counter shipments, and paperwork).[9/] The airlines

---

5/ We will here use the term "air cargo" to include both air express and air freight.

6/ The others are airline air freight and air freight forwarder air freight.

7/ At the time of hearing, 31 U.S. carriers (including two helicopter operators and three all-cargo carriers) and two foreign-flag carriers (Air Canada and Air France) were parties to the air express agreement with REA.

8/ The agreement between the airlines, on the one hand, and REA, on the other, will sometimes hereafter be referred to as the "Air Express Agreement."

9/ The Air Express Agreement contemplates, however, that REA will perform the billing and claims handling and also the paperwork for shipments picked up or delivered or received at REA's non-airport terminals.

estimate that 28 percent of all air express shipment handlings occur at these airports.

Air express offers broad geographic and commodity coverage, and a relatively simple rate structure that is designed to be particularly attractive for small shipments moving relatively short distances. While door-to-door service is provided without extra charge, a substantial percentage of air express shipments move on an airport-to-airport basis because of the delays inherent in pickup and delivery service. Because the rate structure for air express is constructed on a weight and mileage block basis, air express rates do not take account of market density considerations or the rates of competing carriers. Air express rates are generally not affected by the nature of the commodity shipped.

The last Air Express Agreement to receive Board approval was entered into in 1964 and expired on June 30, 1969. After a delay due to a change in ownership of REA,[10/] negotiations between the airlines and REA on a new agreement were undertaken,[11/] but proved fruitless. Finally, on April 4, 1970, REA filed a Petition and Complaint with the Board (Docket 22096) indicating that the differences between it and the airlines were so basic that they could

---

10/ For nearly 40 years REA was owned and controlled by the nation's railroads. However in 1969 the railroads sold their controlling interest to REA Holding Corporation, a newly-organized company owned by management officials and outside investment firms. At the time of hearing, the holding company owned 99.2% of REA's stock and the fractional balance was owned by two railroads. The railroads have an option to buy back 19.8% of REA's stock by July 1974. The holding company also owns all of the stock in The Express Company, Inc., which has recently been awarded international air freight forwarder authority. See Application of the Express Company, Inc., For International Air Freight Forwarder Authority, Orders 72-10-60 and 72-12-43.

11/ The parties agreed to extensions of the 1964 agreement during the talks.

not be satisfactorily resolved without Board intervention. The airlines answered by stating that the termination of the air express agreement was preferable in their view to an agreement that would constitute a surrender to REA's demands. The instant investigation was instituted on July 23, 1970, partly in response to the parties' inability to settle their differences informally. However the dispute continued unabated thereafter. REA refused an airline offer to extend the agreement beyond July 31, 1970 (the expiration date of the last agreed upon extension), and the airlines responded by embargoing all air express shipments, effective midnight on that date. At this point various shipper groups sought and obtained court orders that required the airlines and REA to continue air express operations pending a determination in this proceeding and a contemporaneous investigation of air express rates in Docket 22387.[11a/]

The parties are now operating under an interim agreement, scheduled to expire 60 days after the date of the final orders in both cases. It is likely, therefore, that but for the court orders and these investigations, there would have been no interim agreement, and, hence, no air express service.

Turning to REA, it operates as both an ICC-regulated surface express carrier, and as the airlines' express service ground agent. It has run into trouble in both areas. Its surface traffic has declined from about 47 million shipments in 1967 to 15 million shipments in 1970. Since REA's farflung organization depends on a large volume of traffic for its viability, the decline in surface traffic has put heavy pressure on REA's air express functions. But REA's air express traffic, while not suffering continuing declines comparable to its surface traffic, has not been increasing rapidly either, in marked contrast to the air freight traffic of air freight forwarders.

11a/ Investigation of Air Express Rates (hereafter the "Rates" case or proceeding).

Express and Air Freight Traffic, 1960-1970[12/]
(Thousands of tons)

Calendar Year	REA Express	Direct Air Carriers	Air Freight Forwarders
1970	122	2,145	640
1969	134	2,049	512
1968	136	1,830	391
1967	121	1,564	295
1966	118	1,442	239
1965	110	1,266	218
1964	96	1,004	163
1963	84	827	128
1962	82	769	110
1961	73	N.A.	98
1960	70	522	N.A.
Percentage Increase Five Years 1966-1970	3%	49%	168%

Largely as a consequence of the foregoing, REA's financial position has deteriorated drastically.[13/] It has survived in recent years only by selling off capital assets amounting to $48,000,000, and at the present time its saleable assets are virtually exhausted.

12/ Air parcel post figures for the 1960-1970 period are difficult to utilize because of definitional changes in the 1960's. However, for three years 1968-1970, air parcel post shipments increased from about 123,000 tons to about 185,000 tons.

13/ REA's net worth in 1970 was minus $26,000,000. Its last profitable year was 1965, when it earned about $1,000,000. Since then (through 1972), it has lost about $68,000,000.

IV. AIR EXPRESS WILL FILL NO UNIQUE SERVICE NEEDS

Notwithstanding REA's perilous condition, the Administrative Law Judge recommended that air express be continued because he thought that it provided a unique service. Insofar as the Law Judge viewed air express as irreplaceable from the standpoint of service convenience, we cannot agree. In the early days of air freight, air express did possess many service advantages over conventional air freight. Many of those advantages no longer exist; others are likely to disappear soon; and the remainder can be achieved through other means.

A. Speed of delivery and priority treatment.

REA and its supporters have long claimed that air express service is unique in that: (1) it is faster than other forms of air cargo transportation, and (2) its priority rights insure that a shipment will travel on the earliest flight out. In fact, however, air express generally is not faster than air freight forwarder service, and is often slower; the priority rights of air express

shipments only rarely have any effect; and to the extent that extra-quick transportation and priority rights are useful to shippers, they can best be provided by airline tariffs so providing, without being tied, as they are now, to door-to-door air express service offered solely through REA.

Air express is not faster. The weight of the evidence of record establishes that air express is not unique in providing expeditious service to the public; other forms of air freight provide service that is as fast, or faster than, regular express service. Indeed, even the airlines, a partner and strong supporter of continuing the express arrangement, concede this point and for good reason. Shippers use air transportation to save time, and the forwarders, among others, appreciate that in their competitive environment they must provide fast and efficient service in order to survive. Consequently, the forwarders have developed services and operational techniques that are comparable, and in some instances superior, to express service: (a) both types of service provide for the shipment to be picked up and placed aboard aircraft the same day, and to be delivered at destination the "next day,"[14/] when airline schedules reasonably permit, otherwise the second day; (b) forwarders, like REA, tender shipments to the airlines throughout the day to achieve maximum speed of delivery; (c) express service does not provide for faster ground handling; and (d) as we shall discuss shortly, the priority feature of express generally has no significant effect upon the movement of air cargo.

14/ A shipment that is delivered within 48 hours of the time that it had been picked up is considered to be a "next-day delivery" in industry usage. See Initial Decision at 39.

Elapsed time surveys conducted by the parties support the conclusion that air express is simply not faster than air freight. While these surveys have a number of failings,[15] they nevertheless do indicate that in the nation's major markets, at least, REA's services do not produce an elapsed time distinguishable from other air freight services. The results of these surveys are set forth at 39-41 of Judge Keith's Initial Decision. Summarized here, the surveys showed that the majority of air express and air freight shipments received next-day service, and nearly all shipments received at least second-day service. Indeed, Emery's survey showed that Emery provides faster door-to-door service than REA; and REA's own survey, using REA's own standards, corroborates Emery's.[16]

Priority treatment rarely has any impact. The air express arrangement has long provided that the airlines will give space priority on aircraft to express shipments. In 1948, when air cargo space was very limited, the Board found that priority was a distinguishing characteristic of air express. But circumstances have changed. While the amount of cargo moving by air has increased dramatically, the amount of cargo space operated by the

---

15/ See Initial Decision at pp. 39 and 48.

16/ REA's figures indicate that both REA and Emery achieved identical first-day performance (45.8%). However, at the hearing it was established that Emery's performance was even better since a number of shipments, not reported by REA, were also delivered on the first day. Tr. 2670. More specifically, REA's survey indicates that Emery achieved comparable first-day service, and faster second-day service (i.e., 92.3% of Emery's shipments were delivered by the end of the second day, as compared to 87.5% for air express).

airlines has increased even faster.[17] Thus the problem today is not finding cargo capacity, but filling it.[18] A survey conducted by the airlines, and submitted into evidence in this proceeding, shows the effect of that plethora of cargo capacity on the value of the priority aspects of the air express. Of the flights surveyed, only one out of every 58 (1.7%) departed without sufficient space to accommodate the cargo tendered for the flight.[19]

17/ As illustrated by the table below, the percentage of available cargo capacity that now goes unused is high:

UNUSED CARGO CAPACITY, Scheduled Domestic Service

(Fiscal Year 1973)

All carriers in scheduled domestic service	70.5%
Trunks and Pan American	72.5
All Cargo Operations	39.9
Local Service Carriers	74.7

In large part this is due to the vastly increased cargo capacity of present-day aircraft, as listed below:

Post 1955* Combination Aircraft		Pre-1955* Combination Aircraft	
Aircraft Type	Cargo Capacity (Cubic Feet)	Aircraft Type	Cargo Capacity (Cubic Feet)
B-747	6,250	DC-7	750
L-1011/DC-10	3,000	DC-6	350
DC-8/B-707	1,350	Constellation	450
B-727-200	850	DC-4	250
DC-9	600	DC-3	85

* The Board's last formal review of air express was in 1955.

18/ See Motor Carrier-Air Freight Forwarder Investigation, Opinion on Remand, 69-4-100, pp. 11-12; Household Goods Air Freight Forwarder Investigation, 72-7-33, pp. 4-5.

19/ Of 37,500 flights surveyed, 650 left cargo behind because of full cargo holds. Noting that the survey was conducted during a non-peak traffic period, the Law Judge intimated that more cargo might be denied boarding in holiday and other peak seasons (I.D. 33, 48, 52). On this record, however, it would be speculation to assume that the percentage of flights departing with cargo holds full during peak periods is materially different than the figures resulting from the airlines' survey.

Thus the utility of the priority provisions in the air express agreements is very limited, as even REA conceded elsewhere.[20] Moreover, as we now discuss, shipper requirements for priority service can best be met by airline tariffs specifically intended to meet those needs.

High Priority Tariff. The evidence before us shows that notwithstanding the considerations discussed above, highly expedited service that gets priority treatment is useful to various shippers, and that they use air express to satisfy these requirements. Upon consideration of the record herein, we find ourselves in agreement with those shippers that there is a need, albeit a very limited one, for service of that nature. We have further concluded that such a need can and should be met through the publication of high-priority tariffs by the various direct air carriers. We discuss this matter more fully below,[21] and only note here that as a result of this determination shippers interested in priority status for their shipments will be able to get it from both the direct air carriers and air freight forwarders, and REA's monopoly over such service will be ended.

B. Geographic Coverage.

REA, like the direct air carriers and the air freight forwarders, does the vast bulk of its business in a relatively few large markets.[22] Nonetheless, while REA is under no mandate to serve any given point, REA has long provided broader geographic coverage than the direct air carriers or any air freight forwarder. Previous Board decisions approving the air express system were based, in part, on this factor.

On the other side of the coin, as we weigh the evidence of record, few (if any) points would go unserved as a result of the termination of air express

---

20/ See Initial Decision, Rates Proceeding, at page 38.

21/ At pages 38-39.

22/ For example, REA's own exhibits show that 6 cities produced 56% of its total air express shipments, and only 4% of its combined offices produced 82% of its total air express shipments. Similarly, they show that 87.4% of REA's gross O&D revenues come from only 6.5% of the thousands of offices it claims it has. See Exhs. REA-T-8, p. 4; REA-202, p. 2; REA-205 and REA-212. See also Exhs. AFFA-R-11.

service. To begin with, the direct air carriers offer air freight service, including pickup and delivery service, to and from virtually every air carrier airport city, and its environs, in the United States.[23/]

The larger forwarders also offer service to virtually every air carrier airport city, and serve about as many cities with exclusive stations[24/] as does REA: 66 for Emery, 56 for Airborne, and 69 for REA. When the forwarders' intermodal service is added to the picture, their systems are comparable to REA's. For example, two of the larger forwarders offer coordinated air-truck service to approximately 17,800 points beyond airport terminal areas.[25/] In fact, the larger forwarders now have authority from the ICC that permits them to provide pickup and delivery service at any point in the U.S., provided only that some part of the movement is by air. Accordingly, the forwarders have ample regulatory authority to offer nationwide geographic coverage.

Secondly, it is our judgment, based upon the evidence of record and the history of the air freight forwarder industry, that many (if not all) gaps in geographic coverage resulting from a termination of air express will be quickly filled by freight forwarder expansion. The record is replete

---

23/ As a general rule, direct and indirect carriers may file tariffs providing for pickup and delivery service within twenty-five miles of an airport, or the city limits of a certificated point, whichever is larger. The vast preponderance of the U.S. population lives and works within 25 miles of the nation's 500 air carrier airports.

24/ REA operates only 69 airport field offices with its own employees. Of this total, 37 are operated exclusively by air express employees, and 32 are operated by REA employees engaged in both surface and air express activities. As indicated previously, airline employees, rather than REA employees, perform the airport terminal functions normally associated with air express shipments at all other airports.

25/ Exhs. EAF-T-2 and AFFA-100, 101.

with evidence of air freight forwarder plans to that effect.[26/] And air cargo industry economics make it most likely that those plans will bear fruit.

But even if forwarders cannot expand as expected, they can surely match REA at those communities which REA could continue to serve in the future. For REA's historic broad geographic coverage is clearly a

---

26/ For example, Emery states that if REA discontinues operations, it will bridge resulting gaps in air freight service. Thus it testified:

> "Emery is prepared to assume [the responsibility in] its present tariff to provide [transportation for] all of the commodities that are presently found in the current air express tariff, and further to add all of the points that are not presently in Emery's air freight forwarding tariff in order that there can be a continuation of the same type, scope, commodity and points of service as is presently contained in REA's air express activities. We believe that the air carriers themselves would file some sort of a complementing tariff similar to their air freight tariff that would provide the underlying air carriers with the same sort of service to be held out to the public and to be used by air freight forwarders in the event of demise of REA.
>
> "Such would be an airport-to-airport tariff, . . . there would not be any gap in continuation of the type of air express service in the event that REA disappears." EAF Brief 19-20; Tr. 2663-2664.

Similarly, Airborne states that if the Board permits it to offer express-type service, such as we are proposing to do herein, it will convert its 141 destination agencies to outbound generating points. This, of course, is in addition to its 56 airport offices. It further anticipates that in one year it would set up a total of 400 generating points for both conventional air freight and high priority traffic. AFFA also states that other forwarders represented by it contemplate similar expansion in their service if they are authorized to offer an express-type service. See, e.g., Tr. 2261-2262; Exh. AFFA-LR-16.

relic of the past. Not only is REA already consolidating its service, but it must soon retrench if it is to survive. As REA concedes, it will pull out of many small communities unless it can improve its profitability by means of expanded authority.27/ Elsewhere we explain why REA cannot be granted the new authority it seeks and that, in any event, that authority would not cure its financial woes. Suffice it here to say that no community will lose air cargo service solely because of our action.

C. Commodity Coverage

As discussed above, termination of air express would not reduce the geographic coverage of air cargo. Similarly, no commodity presently moving by air will be precluded from continuing to do so as a result of our decision herein.

REA presently carries only about 18 more items than do the airlines and the larger forwarders. (Thus for all but a fraction of the millions of shipments moving in air transportation, REA's commodity coverage is coextensive with that of the forwarders and the airlines.) Moreover not even these few commodities will lose service as a result of the ending of air express.28/ REA, as an air freight forwarder, will be fully authorized to continue to handle all of the commodities, and provide all of the services, it presently offers. In any event the record shows that even were REA to turn away from such business, it would be handled by the direct air carriers and other air freight forwarders.

27/ For the same reasons, REA will reduce the number of commodities for which it offers service.

28/ As noted above, REA will be forced to reduce the number of commodities for which it offers service if the present air express regime is continued.

By way of example, we consider the carriage of live animals and birds, and security services (items singled out for special emphasis by the administrative law judge). We appreciate that in the past many shippers of animals and birds were dependent upon air express, since REA provided the only extensive door-to-door service for these commodities. As to the future, however, it is apparent that other air cargo services should fully meet the needs of these shippers. The airlines have recently included live animals and birds in their pickup and delivery service. And the forwarders have stated that they plan to provide similar services of their own. (The airlines and forwarders are demonstrably fit to handle such shipments and have done so in the past.) Additionally, there is no evidence in the record that there will be any harm of grievous delay to birds and animals if they are shipped via air freight rather than air express. Shippers of birds, for example, have stated that they now use air freight service to transport birds to quarantine areas, and use air express for further distribution. In the future these shippers should be able to use either the forwarders, including REA, or the airlines for the entire operation.

Similarly, there will be no injurious hiatus in the transportation of valuables or other commodities covered by REA's security services. For one thing, Emery has demonstrated that it would provide this service if the express category of freight is abolished. For another, the air

freight industry has reached a stage of development where specialized forwarders are now providing security service comparable to REA's.29/

In sum, as we read the evidence before us, no community will go unserved as a result of the termination of air express, and no commodity will be precluded from moving by air. The record also shows that transit time for REA shipments does not vary materially from that of shipments handled by air freight forwarders, and that, in any event, highly expedited service by the direct air carriers is feasible and, indeed, is part of their duty to provide reasonable transportation.

In all these ways, in other words, cessation of air express service will have no material impact on the public.

29/ See, e.g., Orders 69-3-31, 69-5-50, and 71-7-53. The last-named order refers to Wells Fargo Air Express (WFAX), which states in this proceeding that it will specialize in express-type transportation of currency, coin, gold and silver bullion, securities, jewels and other valuables. Tr. 1711, Exh. WFAX-T. Its exhibits suggest that its service will be similar to, and in some respects superior to, REA's. Furthermore, we note that another well-established security specialist, Brink's Inc., has recently applied for air freight forwarder authority, and indicates that it intends to provide extensive services similar to those offered by Wells Fargo. (Docket 25687)

V. THE PRESENT SYSTEM CANNOT BE MAINTAINED

In many markets air express offers lower rates for small-package shipments than do either the direct air carriers or the air freight forwarders.[30] This fact constitutes a compelling argument for continuing the service if such continuance were feasible. However, based upon the record in this proceeding and many years of experience with the present arrangement, we are convinced that the basic realities of the situation offer no practicable way of retaining the present air express arrangement.

Air express is a joint arrangement that hinges on the maintenance of an agreement between two parties whose interests have long been divergent and are becoming ever more so. Indeed, air express is currently being operated solely by virtue of a court order preventing termination of the underlying agreement pending the conclusion of this proceeding. The airlines, on the one hand, and REA, on the other, have been unable to agree even on the basic question of what share of air express revenues each should get. Disagreement here hinges not only on what cost accounting theories should be used to determine each party's share, but also on the accuracy of raw cost and traffic figures.[31]

30/ See Initial Decision of Administrative Law Judge Shapiro in the Rates case. Since the date of that decision air express and air freight rate levels have changed substantially. On an overall basis, both have increased. Comparisons of present air express rates (rounded to the nearest dollar) with the present and proposed priority mail rates are as follows:

Weights		300 miles	1,000 miles	1,800 miles
5 lbs..	air express	$12	$12	$12
	present postal	3	3	4
	proposed postal	3	3	4
15 lbs.	air express	12	13	16
	present postal	7	9	11
	proposed postal	6	8	9
25 lbs.	air express	12	16	20
	present postal	12	14	18
	proposed postal	10	12	15

Postal service is not available for some shipments, however, because of commodity and size restrictions, lack of pick-up service, etc.

31/ See, e.g., Judge Shapiro's Initial Decision in the Rates case, and the airlines' and REA's briefs to the Board in that proceeding.

Moreover, ongoing changes in the industry are adding to the sources of friction between REA and the airlines. The airlines are becoming increasingly commited to the air freight business and not surprisingly have exhibited a strong interest in restricting the attractiveness of air express, in which revenues have to be split with REA, to traffic holding little interest for the airlines: small shipments moving door-to-door. REA, on the other hand, faced with loss of substantial volumes of traffic in its traditional markets as a result of changes in postal regulations and the growth and development of the air freight forwarder industry, has been demanding changes in its relationship with the airlines, and in the air express rate structure, designed to permit air express to compete successfully for much of the traffic that is now moving by the airlines' air freight services.

While the Board can regulate aspects of air freight service, it would be difficult (if at all possible) for the Board to force the parties to consent to conduct air express operations under the present system when they cannot come to terms. It is probably true that the Board could license REA to operate independently of an airline-REA agreement, and could compel the airlines to publish an express service tariff covering rates to REA. But, absent an agreement between the parties, there is no way to insure that the airlines will be willing to continue performing all the ground services at those airports -- 85 percent of the total -- where REA has no airport field offices.[32/] Consequently, no matter what the Board does in this proceeding, nationwide express service will remain in chronic danger of being interrupted or terminated as a result of eruptions of differences between the two sides.[33/]

32/ Even at major airports where REA has field offices, the airlines perform important ground services for air express.

33/ As noted earlier, the existing interim agreement terminates 60 days after the final order in this proceeding.

Further, the air express system depends upon REA's viability,[34] and REA is in deep financial trouble. Its liabilities far exceed its assets. Its continued existence depends wholly upon the willingness of its creditors not to take advantage of their right to require REA's liquidation. REA has not turned a profit for years, and shows no prospects of doing so despite a major change in its operations. Rate increases would not be enough, as REA itself acknowledges.[35] The crux of the matter is that REA must increase its traffic volume substantially, either by somehow increasing its air express traffic, or by carrying traffic under other authority, in addition to its air express business. REA agrees and is here seeking expanded authority. For reasons we now discuss, however, the authority REA seeks would raise a host of problems, and more to the point, simply would not work.

34/ Judge Keith found that if air express is to be continued without substantial interruption of service, there are no alternatives beyond the utilization of REA as the ground agency for the airlines. We agree. Among other things, while all of the air freight forwarder parties are applicants for air express authority, none is willing to relinquish its air freight forwarder authority to enter into an arrangement with the airlines on the same basis as REA. See, in this regard, pages 31-32 infra.

35/ Oral argument at pp. 19-20; Tr. 920, 921, 924-25.

VI. REA'S REQUEST FOR EXPANDED AUTHORITY

A. Independent Rate Authority

Under the present express agreements, while REA is the tariff agent for the airline parties in respect to the filing of air express tariffs with the Board, the rates embodied in those tariffs must have the approval of the airline parties. The result is an express service rate structure that has limited REA to relatively circumscribed roles in the air cargo industry. As mentioned earlier, under the existing air express rate structure, in general REA's service is attractive for small shipments needing door-to-door service. Conversely, shippers almost always find it more attractive to send relatively large shipments, including aggregations of shipments,[36/] via direct air carrier or air freight forwarder.[37/] To all intents and purposes REA is thus precluded from carrying such shipments, except in markets so small that no direct air carrier or air freight forwarder serves them, and except with respect to highly unusual commodities (e.g., gold bullion).[38/]

Under the independent rate authority change that REA proposes, REA could, subject only to Board review, alter the express service rate structure by decreasing rates applicable to the large, longer-haul shipments in the nation's larger markets, and in respect to particular commodities

---

36/ See Investigation of Accumulation, Assembly and Distribution Rules, 12 CAB 337.

37/ As REA notes, apart from differences in the air freight and air express rates structures regarding general commodities, many air freight shipments travel under low specific commodity rates.

38/ Air express rates include pick-up and delivery service. Thus air express shippers who find it convenient or necessary to deliver their shipment to, or pick it up at, the airport, get no rate reduction. (Air freight rates, on the other hand, are usually made up of an airport-to-airport rate, plus additional charges for optional pick-up and delivery services.)

that are now the bread-and-butter of air freight forwarders and the direct air carriers. That is in fact REA's intention. And we would agree that if REA is to quickly increase its traffic by the hundreds of thousands of shipments it needs to return to viability, it is that traffic in those markets it must seek.

However, a grant of the authority REA seeks would not in fact serve to perpetuate the air express system in its present form. The airlines' position is that they would not enter into an air express agreement with REA subject to a condition that would give REA entirely independent tariff authority. We think their position is an entirely reasonable one. Air express is a joint arrangement of the airlines and REA. Both incur costs with every air express shipment. Under such circumstances it is understandable that the airlines have refused to enter into an arrangement whereby the rates to be charged for such shipments would be within the control of another company (REA) whose interests and cost structure vary considerably from those of the airlines.

While the airlines' position is not clear on this point, it appears that the airlines would be willing to lessen their veto power over air express rate changes if -- but only if -- the airlines could be assured that air express rates would in all cases be high enough to cover the airlines' fully-allocated costs (including profits) and that the airlines would receive a share of the revenues equal to those fully-allocated costs in respect to each shipment. However, a restriction of that nature in the independent rate authority REA

proposes would have the practical effect of preventing REA from adopting rates attractive enough to gain the substantial extra traffic it needs to maintain the existing air express system. 39/

Even assuming that the airlines would enter into an air express agreement giving REA freedom to change air express rates, and further assuming that the rate changes would enable REA to attract significant amounts of new traffic, problems would still abound.

First, since the independent rate proposal presents the inherent difficulty of putting one joint venturer in a position to establish rates without the concurrence of the other, it would virtually assure bitter and continuing disputes between the two parties upon whose cooperation air express service depends -- REA and the airlines.

Second, the effectuation of REA's proposal would pose grave regulatory problems. The essence of REA's independent rate proposal is that it needs the flexibility to vary its rates on a market-by-market and commodity-by-commodity basis. (As mentioned earlier, with

---

39/ REA concurs. See tr. 870-71.

minor exception, air express rates currently vary solely with distance and weight.) Because of the nature of air express and of REA's operations, determinations of the reasonableness of air express rates even under the present simplified rate structure become an "Odyssey of cost accounting," as Judge Shapiro remarked in the Rates case, requiring cost and traffic data in extraordinary amounts and detail. If REA were in a position to file tariffs that, for competitive reasons, varied by market and commodity, even further detail would be required in order for the Board to assure that, among other things, the lower rates proposed would not burden other traffic. The records here and in the Rates case show conclusively that REA and the airlines would be unable to furnish the needed information.[40/]

Third, REA's efforts to return to profitability by seeking the business of larger, longer-haul shipments in major markets would necessarily require REA's management to even further divert its attention from small communities and small-package service to larger shipments moving between metropolitan areas. Shippers now dependent on REA -- i.e., small-package shippers and those in some small communities -- would thereby suffer a further deterioration

---

40/ As we shall discuss in our forthcoming Rates opinion, the record in that case is woefully inadequate, in large part because REA simply was unable to supply considerable amounts of relevant data. Moreover, because of the nature of REA's operations, or because of its internal financial and traffic reporting systems, some of the data REA did supply was inaccurate. In this proceeding REA was unable to develop financial and traffic projections that went to the heart of its case. REA was able to produce other forecasts, but so many months late as to be unusable.

in air express service.

Fourth, REA claims that it would use its rate setting powers to attract shipments now moving by surface means. But whatever REA's intentions, the realities of the air cargo business and REA's operations are otherwise.[41/] It is inevitable that the results of REA's efforts to increase its traffic by rate changes would be the carriage by REA of substantial amounts of relatively heavy long-haul shipments that would otherwise have moved via the air freight services of the various air freight forwarders. This in turn would raise difficult questions about whether in many markets the forwarder industry's ability to continue to serve the public efficiently would be impaired.

41/ As REA's witness Nelson stated, REA needs to expand into the long-haul and high-density air freight markets. REA-T-9. See also, Ex. AFFA-200, 3-4.

B. Dual Air Express-Air Freight Forwarder Authority

Permitting REA to handle any given shipment under its air express authority when that seems most profitable, and under its forwarder authority when that best suited its corporate goals, would similarly give rise to many problems. And there would be no practical way of avoiding that result were we to grant REA air freight forwarder authority in addition to its express powers.

First, it would plainly present problems for the forwarder industry's health. With dual authority, REA could offer a full range of rapid delivery services -- including "priority" services -- that could not be matched by any other forwarder. If this helped REA to dominate the entire indirect carrier industry, as it might, it would inevitably lessen competition among existing forwarders and, perhaps, sap the vitality of that group. Of course, that would thwart this agency's primary goal in licensing REA and the forwarders -- namely, to promote the vigorous development of air freight.

Second, it appears that the existing air express arrangement depends heavily upon cross-subsidization between the various air express markets. The economics of air cargo transportation are such that, with dual authority, in many cases REA would use its air freight forwarder authority to carry traffic that is now moving by air express at a profit (typically, shipments moving in dense, heavily trafficked markets) while continuing to use its air express authority in the thin, unprofitable ones. Thus the dual authority REA seeks would reduce the extent to which the profitable air express traffic could cross-subsidize the unprofitable traffic. One result would be that shippers in small communities would have to pay higher air express rates without enjoying any compensating improvements in service.

Other concerns militate against dual authority. For example, the cost accounting difficulties the Board already faces when seeking to evaluate air express rates would get considerably worse. In addition, dual authority could cause serious public confusion among REA's customers as to (a) the nature of the service any given shipment would be receiving, and (b) the proper rates to be charged for such service.[42/] Finally, dual authority would inevitably divert REA's attention from small-package and small-community service for the same reason that, as discussed above, a grant of independent rate authority to REA would.

But we need not dwell on these matters since a grant to REA of the dual air express and air freight forwarder authority it seeks would be futile. Since continued air express service is dependent upon the airlines and REA entering into new air express agreements, and because of the airlines' justifiable concerns about the conflict of interest difficulties inherent in the dual authority REA seeks and the consequent impact on the airlines' ability to spread their air express costs over a reasonable volume of express traffic, they have served notice that they would not become parties to any express agreement if REA was awarded air freight forwarder authority.

42/ As noted by AFFA, the safeguards proposed by REA to avoid public confusion are woefully inadequate. In any event, the purported advantages to be gained by dual authority would be greatly diminished by bifurcated operations such as proposed by REA.

VII. TERMINATION OF THE AIR EXPRESS AGREEMENTS AND AWARD OF AIR FREIGHT FORWARDER AUTHORITY TO REA

REA's monopoly control over air express has always been an anom[aly] in an air transport system enjoined to preserve "[c]ompetition to the extent necessary * * *" (49 U.S.C. 1302). REA was originally licensed as the exclusive ground agent for air express on a temporary basis. It has been allowed to linger in that status because there was "no substitute available."[43/] Now we have come to a time when REA's original sterling features have long since tarnished; and its continuance as the airline's exclusive ground agent for an express service promises more harm than good. In contrast, promising substitutes for the joint REA-airlines air express arrangement now exist in profusion. Whether we try to perpetuate the present system through some modified form of monopoly, or whether we open the door to the forces of competition, the methodology for expedited shipping of small packages must undergo a profound--and not entirely predictable--transformation. Recognizing that some uncertainties are thus inevitable, the Board prefers to trust in competition, rather than monopoly, as the agent of change. For our regulatory experience has always tended to show that the free play of competition has stimulated the development of air cargo.[44/] That past history, we hope, will also prove to be prologue for the future here.

43/ See footnote 2, p. 6, supra.

44/ See Motof Carrier Investigation and Household Goods Investigation, supra.

Accordingly, for the reasons we have set forth at length, we are terminating our approvals of the air express agreements, and are withdrawing REA's air express exemption authority. As we discuss below, we are concommitantly authorizing REA to operate as an air freight forwarder.

Because the public would be best served by enabling, to the extent that we can, shippers, REA, and the other elements of the air cargo industry to be able to plan for the forthcoming changes in the industry, we are delaying by a half-year the effective date of our action to terminate the air express arrangement, and shall approve interim air express agreements to the extent that they carry forward the terms of the present agreements and are marked to expire in conformance with our order herein.

As we stated earlier, we have concluded that now that REA will no longer be the exclusive indirect air carrier of air express shipments, the public interest would be served by the grant to REA of air freight forwarder authority. We have determined to make this grant notwithstanding REA's financial ill-health, and its present inability to function effectively as an indirect air carrier, because we believe that REA's prospects as an air freight forwarder vary considerably from its expectations as a party to what has become an unworkable air express arrangement. There is no guarantee that REA will continue to operate whatever action we might take. But its reformation into an air freight forwarder will have numerous advantages for it, as its management recognizes. It will be able to limit its business to the kinds

of traffic, in the areas of the county, it can deal with most effectively. Its rate policies will no longer have to take into account airline partners whose interests vary so greatly from REA's. And the size, identity and breadth of coverage it developed as the airlines' ground agent for air express should stand it in good stead in its efforts to compete with other forwarders on equal terms.

REA holds operating rights issued by the Interstate Commerce Commission to haul general commodities, and it operates over-the-road service between a number of markets over 500 miles apart. REA therefore comes within the Board's Long-Haul Motor Carrier Regulations,[45/] which are set forth in Subpart I of section 296 of the Economic Regulations. Summarized here, Subpart I provides that the Board will approve an application if it appears (a) that the applicant is capable of performing the proposed air transportation and of conforming to law; (b) that the applicant will conscientiously promote cargo and will benefit air transportation; and (c) that the applicant's operations will not create a monopoly and thereby restrain competition or jeopardize another air carrier, or will otherwise be inconsistent with the public interest.

45/ A "long-haul motor carrier" is defined as a motor carrier holding operating rights issued by the ICC to haul general commodities between any pair of points that are over 500 miles apart, or an affiliate of such a carrier.

REA's application meets the regulatory criteria. It is a well-established indirect air carrier that has long been providing and promoting an air cargo service. Its history as such readily demonstrates that it will conform to the Act and the Board's Rules and Regulations and will conscientiously promote air freight. In fact, it has established in this proceeding that its future depends upon its ability to develop competitive air-oriented operations. REA's entry into forwarding will provide the type of public benefits contemplated by the Board's long-haul motor carrier policy. In this respect we believe that REA's entry will provide a wide range of services to a great many communities, since REA will now be able to offer conventional air freight in response to the public need to close the gap between cargo carried and available cargo space. Further, these benefits will not be offset by other important considerations such as the impact that its entry will have on other forwarders. While it is true that REA will enter the field in a strong position, and has the potential for diverting some traffic from existing forwarders, it does not appear that these factors require a denial of air freight forwarding authority, since, to the extent that REA does divert traffic from existing forwarders, this should be more than offset by the forwarders' ability to compete for small-package business previously monopolized by air express. In these circumstances, we are unable to conclude that REA's air forwarding operations will have an adverse impact on the forwarder industry.

Finally, we appreciate that all Subpart I air freight forwarder authorizations are scheduled to be reviewed by the Board shortly. The Board will determine at that time whether the long-haul motor carriers regulated by Subpart I have in fact been promoting air transportation during the periods of their authorization. However, we shall not require REA to participate in that review, since it has demonstrated at length in this proceeding that it will conscientiously promote air freight and that its authorization as an air freight forwarder is otherwise consistent with the public interest.

Accordingly, upon the establishment by REA that it is in compliance with the various technical requirements of Part 296, domestic freight forwarder authorization will issue, effective on the date of termination of REA's air express authority.

VIII. HIGH PRIORITY SERVICE

The nature of a very limited number of commodities is such that it is important they receive the fastest possible service, and that they can be assured next-flight-out transportation.[46] Similarly, shippers of commodities that usually do not warrant such preferred treatment will occasionally desire extra-fast service and the assurance that their shipment will leave on the next flight out.

Air transportation is almost always the fastest possible way to ship goods. If a shipment cannot be gotten to its destination in time by air, the chances are very high that it cannot meet its deadline any other way. In our view this places a special responsibility on the nation's air carriers to provide a means whereby extra-fast transportation is made available.

We think that these considerations lead inescapably to the conclusion that, as part of the airlines' duty to provide reasonable transportation, they are under an obligation to offer highly expedited priority service under tariffs so providing.[47]

The airlines argue that the provision of such service would be impracticable since it would be difficult to give assurance that all shippers needing such service could have if anytime they wanted it, and because priority service

---

46/ See, e.g., Tr. 2402; Exhs. AFFA-405, EAF-T-1, page 4.

47/ We cannot conclude from the evidence herein that this obligation extends beyond airport-to-airport service. It is plain, however, that highly expedited door-to-door service will be offered by the forwarders and, perhaps, the direct air carriers, once the new airport-to-airport service is underway.

requires coordination by a single ground agent. We disagree. The first contention amounts to an argument that the airlines will sometimes be deluged with traffic shipped under the priority tariff. But the evidence of record suggests that the odds of that happening are extremely remote. And insofar as coordination among airlines is concerned, the record does not suggest that a single, nationwide ground agent is indispensible. Some inter-airline coordination will be necessary, however, and accordingly, we will be receptive to requests for inter-carrier discussions about this matter. In any event, we think such concerns are relevant to the nature of the tariff rules that should govern such traffic, and to what reasonable rate levels for such traffic should be, not to whether airlines can feasibly provide the service.

In view of the foregoing considerations and all the facts of record, it is found that:

1. Agreement CAB Number 12866, initially approved by Order E-13764, dated April 21, 1959, as amended (the most recent amendment being approved by Order 72-12-109, dated December 22, 1972) (a) is adverse to the public interest; (b) should accordingly be withdrawn effective upon the termination of the authorization described in paragraph 3 below; and (c) should be disapproved on the same date.

2. Agreement CAB Number 17935, initially approved by Order E-22271, dated June 4, 1965, as amended (the most recent amendment being approved by Order 72-7-5, dated July 3, 1972) (a) is adverse to the public interest; (b) should accordingly be withdrawn effective upon the termination of the authorization described in paragraph 3 below; and (c) should be

disapproved on the same date.[48/]

3. The continuation of the exemption authority of REA Express, Inc. to conduct operations in air transportation initially granted by Order Serial Number 941, dated March 13, 1941, as amended (the most recent amendment of that authority being granted by exemption Order E-22273, dated June 4, 1965) (a) is not in the public interest; and (b) should accordingly be terminated on the date that REA commences air freight forwarder operations pursuant to an authorization issued in accordance with our decision herein, or 180 days from the service date of the Order in this proceeding, whichever date occurs first.

4. REA Express, Inc. (a) is capable of performing air freight forwarder operations authorized by Subpart I of Part 296 of the Board's Economic Regulations and of conforming to the Act and the regulations thereunder; (b) will conscientiously promote air cargo and will benefit air transportation; and (c)in its operations, alone or together with those of other air freight forwarders, will not create a monopoly or monopolies and thereby restrain competition or jeopardize another air carrier, or otherwise be inconsistent with the public interest.

5. It is in the public interest to grant REA Express, Inc., authority under Subpart I of Part 296 of the Board's Economic Regulations as a domestic air freight forwarder effective upon termination of the authorizations described in paragraph 3 above.[49/]

48/ Agreement CAB Number 17935 expires by its own terms 60 days after final decision in Dockets 22387 and 22388. Since no final decision has been issued in Docket 22387, the agreement continues in effect.

49/ We shall require that REA update its air freight forwarder application for administrative purposes. Issuance of operating authority shall be subject to the completion of the technical requirements, in accordance with the procedures set out in section 296.43 of the Board's Economic Regulations. Since the amendments are technical in nature, no filing fees will be required.

6. Certificated air carriers providing scheduled interstate and overseas air transportation are under an obligation to offer priority service under tariffs so providing as part of their duty to provide adequate interstate and overseas air transportation.

7. The Board should retain jurisdiction over this proceeding for the purpose of reviewing at any time the authorization granted herein and of imposing at any time, with or without hearing, such other conditions as the Board may find just and reasonable.

8. Except to the extent granted herein, all applications, requests, and motions involved herein should be denied, and this investigation should be terminated.

An appropriate order will be entered.

TIMM, Chairman, GILLILLAND, Vice Chairman, and MINETTI, Member, concurred in the above opinion. WEST and O'MELIA, Members, did not participate.

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Order 73-12-36

Adopted by the Civil Aeronautics Board
at its office in Washington, D.C.
on the 7th day of December, 1973

EXPRESS SERVICE INVESTIGATION	Docket 22388

O R D E R

A full public hearing having been held in the above-entitled proceeding and the Board, upon consideration of the record, having issued its opinion containing its findings, conclusions, and decision;

IT IS ORDERED:

1. That approval of Agreement CAB Number 12866, initially approved by Order E-13764, dated April 21, 1959, as amended (the most recent amendment being approved by Order 72-12-109, dated December 22, 1972) be and it hereby is withdrawn effective upon the termination of the authorization described in paragraph (3) below, and said agreement be and it hereby is disapproved on the same date.

2. That approval of Agreement CAB Number 17935, initially approved by Order E-22271, dated June 4, 1965, as amended (the most recent amendment being approved by Order 72-7-8, dated July 5, 1972) be and it hereby is withdrawn effective upon the termination of the authorizations described in paragraph (3) below, and said agreement be and it hereby is disapproved on the same date.

3. That the exemption authority of REA Express, Inc. to conduct operations in air transportation initially granted by Order Serial Number 941, dated March 13, 1941, as amended (the most recent amendment authority being granted by exemption Order E-22273, dated June 4, 1965) be and it hereby is terminated on the date that REA commences air freight forwarder operations pursuant to an authorization issued in accordance with our decision herein, or 180 days from the service date of this Order whichever date occurs first.

4. That an operating authorization to engage in air transportation as a domestic air freight forwarder in accordance with Part 296 of the Board's Economic Regulations shall be issued to REA Express, Inc. upon (a) completion of the technical requirements described herein, and (b) termination of the authorizations described in paragraph (3) above.

5. That the Board shall retain jurisdiction of this proceeding for the purpose of reviewing the operating authorization granted herein and/or imposing at any time, with or without hearing, such conditions as the Board may find just and reasonable.

6. That, except to the extent granted herein, all motions, applications, and requests involved herein be and they hereby are denied.

By the Civil Aeronautics Board:

EDWIN Z. HOLLAND

Secretary

(SEAL)

Exhibit R

Order 74-2-118

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D.C.,
on the 27th day of February, 1974

Petition of AIRLINES PARTICIPATING IN AIR EXPRESS SERVICE for authorization of inter-carrier discussions concerning the creation of industry-wide priority cargo service.	Docket 26238

ORDER AUTHORIZING DISCUSSIONS

In Order 73-12-36, adopted December 7, 1973, the Board decided the Express Service Investigation, Docket 22388. The Board found, inter alia, that the certificated air carriers providing scheduled interstate and overseas air transportation are under an obligation to offer priority service, under tariffs so providing, as part of their duty to provide adequate interstate and overseas air transportation. 1/ The Board recognized that some inter-airline coordination would be necessary and, accordingly, stated its receptivity to requests for inter-carrier discussions about the provision of highly expedited priority cargo service. 2/

The airlines participating in the present air express service have now filed a petition requesting Board authorization for such discussions. 3/ The petition asks for authorization to enter into inter-carrier discussions concerning the creation of an industry-wide priority cargo service. It says these discussions would principally concern operational

1/ Order 73-12-36, at page 41, finding number 6.
2/ Id., at page 39.
3/ These airlines are Air Canada, Airlift International, Alaska, Allegheny, American, Aspen, Braniff, Air France, Continental, Delta, Eastern, Flying Tiger, Frontier, Hughes Airwest, National, New York Airways, North Central, Northwest, Ozark, Pan American, Piedmont, SFO Helicopter Airlines, Seaboard World, Southern, Texas International, Trans World, United, and Western.

problems involved in the interlining of priority cargo traffic. The division of rates between interlining carriers, and the tariff structure with respect to the size and weight of shipments and types of commodities would be considered and discussed, but rate levels would not be discussed in the initial phases of these meetings.

The petition says that the presence of observers from the Board or other governmental agencies at the meetings would not be objected to, but that there does not appear to be any necessity for shipper representatives to be present at these meetings. The petition also asserts that air express service may terminate in the immediate future, and that in order to avoid a lapse in priority cargo service it is requested that the airlines be authorized to meet at the earliest date possible, and that the Board issue the discussion authorization without allowing the usual time for replies to the petition. 4/

Responses to this petition have been received from the Air Freight Forwarders Association (AFFA), the Society of American Florists (SAF), the Pet Industry Parties (PIP) 5/, the National Air Transportation Conferences, Inc. (NATC) 6/, and REA Express, Inc. (REA).

AFFA requests that it be given the opportunity to participate in the requested discussions because of the nature of the subjects to be discussed and the air freight forwarders' interest and concern with those subjects. It contends that air freight forwarders can be expected to be the major users and marketers of the highly expedited service that the airlines will discuss. AFFA says that there will have to be substantial cooperation between air freight forwarders and the airlines in the planning as well as the use of the new expedited service, and that this can only be accomplished by its participation in, not merely observance of, the discussions.

SAF also asks for participation in the discussions. It says that florists have a vital interest in future space allocations and priorities and that airline discussions without shipper impact would be non-productive.

PIP supports the petition provided that interested shipper parties be permitted to participate in all inter-carrier discussions concerning

---

4/ Since replies have already been received within the usual time, this request need not be considered.

5/ PIP consists of two corporations and twenty membership organizations whose members market live animals and related supplies throughout the world utilizing air transportation services.

6/ NATC is a trade association of Part 298 commuter air carriers and air taxi operators.

the creation of priority air cargo service. They say the substitution of priority service by the airlines for air express service and the details of the new service will have a direct effect on the continued usage of air transportation by live animal shippers and that PIP should, therefore, be allowed to participate with the airlines in the creation of the new service.

NATC supports the petition if conditioned by a requirement that NATC representatives be authorized to participate in the discussions. It argues that the interest of NATC and individual Part 298 carriers as transporters of increasing quantities of cargo, an estimated 80 percent of which is interlined with certificated air carriers, necessitates that they be participants in these discussions. NATC says that relationships between Part 298 air carriers and certificated air carriers can be coordinated and problems resolved most effectively at these discussions, and that its participation will not complicate or otherwise adversely affect or delay the course of the discussions.

REA moves that the petition be rejected as improperly filed in Docket 26238, or in the alternative, that it be consolidated with the Express Service Investigation. It argues that since the new priority service to be discussed is a condition precedent to the termination of air express and since the requested discussions would implement Order 73-12-36, a request for discussion authorization can only properly be considered in the Express Service case. Alternatively, REA moves to consolidate the petition with that case so that the Board can determine whether the plan for priority service developed by the airlines is adequate on the basis of the record in Express Service and is implemented to provide a reasonable transition from air express. REA incorporates by reference its petition for reconsideration of Order 73-12-36, wherein it alleges that the Board does not yet know if the new priority service will provide an adequate replacement for air express service, and says that the airlines should be directed to submit their plans by March 1, 1974. REA also says that shippers should be permitted to participate in or observe the inter-carrier discussions. 1/

REA's motions will be denied. The petition herein results from the decision of the Board in the Express Service Investigation, but there is no reason why it must or should be considered only in the context of that proceeding. The requested discussions will consider the formulation of a new type of service which the Board has found certificated scheduled air carriers under an obligation to provide. The Board can monitor the progress of the discussions sought herein while it considers REA's petition for reconsideration and any other matters in the Express Service Investigation, without placing both in the same docket or consolidating them.

1/ The petitioners answered REA's motions, arguing that their petition should not be considered as part of the Express Service case and that Order 73-12-36 does not make the establishment by the airlines of a priority cargo service a condition precedent to the effectiveness of that order. Emery Air Freight Corporation has also filed an answer, opposing REA's motions for similar reasons.

For the reasons stated in the Express Service Investigation order, the requested discussion authorization will be granted, excluding the discussion of rate level, structure and division matters. 8/ We are authorizing discussion of types of commodities to the extent that operational questions, such as interline handling of extraordinary items, may be involved. It is our view that an industry-wide priority service should be available for all commodities now carried in air express.

Since the actual airport-to-airport movement of priority freight would be effected by the certificated scheduled carriers, they shall be the "participants" in the discussions. However, we recognize the importance of thertoles of air freight forwarders and air taxi operators in the movement of air cargo, and we feel that in addition to being allowed to observe the discussions, they and other interested persons shall be allowed to make oral presentations to the discussants. We leave to the discussants the formulation of rules for such oral comments, e.g. whether ad hoc comments from the floor will be allowed or whether more formal presentations will be preferred. However, we will expect the filing of such ground rules and an agenda of each noncontinuous meeting to be filed in this Docket no later than 7 calendar days prior to the holding of such meeting; and a copy of such filing will be required to be served on the present parties to this proceeding and any other persons who previously have made request for such service to counsel for the instant air carrier petitioners. 9/

Finally, we wish to note the pendency of the Petition of the Humane Society in Docket 26244 pertaining to the establishment of a priority air freight service for live animals. We do not rule on that petition at this time. But we do believe that the relief sought therein is relevant to the instant petition insofar as it pertains to the genre of topics to be discussed. Therefore, in the discussions authorized by this order, we shall allow the carriers to consider the degree of priority, if any, which live animals should be given when shipped in the agreed-upon priority service.

The participants in these discussions will be required to submit any agreement or agreements resulting from these discussions for Board approval

---

8/ The exclusion of rate matters from the discussion authorization is based on the applicants' statements that they do not intend to discuss rates in the initial phases of their meetings, and our conclusion that such discussion would not be necessary at this time. If an expansion of this authorization is deemed necessary at a later time, the airlines can submit an application, and supporting arguments therefor, then.

9/ Expansion of the "participant" status might unduly complicate the discussions, and is not necessary. The interests of those parties who have expressed interest in these discussions will be adequately served by the procedures described herein, including their rights to comment on any agreement resulting from these discussions (see 14 CFR 302.1608), and, of course, their rights to informally express their views to the airlines at any time, which rights are not in any way derogated by this order.

and such agreement or agreements shall not become effective unless and until approved by the Board. This will enable all interested persons to submit comments to the Board, in accordance with Subpart P of the Board's Rules of Practice (14 CFR 302.1601 through 302.1608), in support of or in opposition to Board approval of any proposed agreement.

ACCORDINGLY, IT IS ORDERED THAT:

1. The petition herein for authorization of inter-carrier discussions concerning the creation of industry-wide priority air cargo service be and it hereby is granted, subject to the following conditions:

(a) All air carriers and foreign air carriers presently participating in air express service shall be permitted to participate in each of these discussion meetings;

(b) These discussions shall not include the subjects of rate level, structure, or division; provided that they may consider types of commodities, if such consideration is limited to operational matters, such as the interline handling of extraordinary items; and provided further that the discussions may consider the degree of priority, if any, which live animals should be given when shipped in any new priority service;

(c) These discussions shall take place in Washington, D.C., at a date, time, and place determined by the participants;

(d) Representatives of the Board, any other governmental body, and any other interested person shall be permitted to attend each of these discussion meetings as observers;

(e) Notices, agenda, and ground rules for the oral expression by interested persons of views to the participants pertaining to each noncontinuous meeting authorized herein shall be sent (1) to all carriers eligible to participate in these discussions, (2) to the Board's Docket Section, (3) to all persons who responded to the petition herein; and (4) to all other persons who so request; such items shall be filed with the Board and sent not later than seven calendar days before each meeting;

(f) Complete and detailed minutes of these discussions shall be maintained by the participants, and such minutes shall be filed with the Board's Docket Section and shall also be sent to all other persons who so request, within five business days from the date of each meeting;

(g) Any agreement or agreements reached as a result of the discussions authorized herein shall be filed with the Board, pursuant to the requirements of section 412(a) of the Act (49 U.S.C. 1382) and Part 261 of the Board's Economic Regulations (14 C.F.R. 261) and Subpart P of the Board's Rules of Practice (14 C.F.R. 302.1601 through 302.1608), and shall not become effective unless and until approved by the Board pursuant to section 412(b) of the Act;

(h) The authorization granted herein shall expire after July 31, 1974; and

(i) The authorization granted herein may be extended, modified, or revoked at any time by the Board or by the Director of its Bureau of Operating Rights (action by the Director of the Bureau of Operating Rights to be subject to the procedures for review of staff action contained in Subpart C of 14 C.F.R. 385); and

2. Except to the extent granted herein, all other motions and requests for relief in this docket be and they hereby are denied.

This order shall be served on all certificated scheduled air carriers and on all parties to the Express Service Investigation, Docket 22383, and on the United States Departments of Commerce, Defense, Transportation and Justice and the United States Postal Service. This order shall also be published in the Federal Register.

By the Civil Aeronautics Board:

PHYLLIS T. KAYLOR

Acting Secretary

(SEAL)

Exhibit S

Order 74-4-1

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D.C.
on the 1st day of April, 1974

Authorization of inter-carrier discussions concerning industry-wide priority air cargo service	Docket 26238

ORDER ON RECONSIDERATION

By Order 74-2-118 (February 27, 1974), the Board authorized discussions, subject to conditions, among the air carriers and foreign air carriers presently participating in air express service (hereinafter "the airlines"), concerning the creation of industry-wide priority air cargo service. 1/ The airlines have, in accordance with 14 C.F.R. 302.37, filed a petition for limited reconsideration of that order, alleging that harmful consequences would result from one of the conditions imposed on these discussions by the Board's order, and requesting that the conditions be modified to provide that the participating airlines may conduct their discussions without any observers present except for personnel of the Board. 2/ Answers to this petition for reconsideration have been filed by the Air Freight Forwarders Association (AFFA), REA Express, Inc., 3/ the Pet Industry Parties (PIP), 4/ and the National Air Transportation Conferences, Inc. 5/ These pleadings are summarized in the attached appendix.

1/ The request for such discussion authorization stemmed from the Board's decision in the Express Service Investigation, Docket 22388. See Order 73-12-36 (December 7, 1973), at pages 38-39, and 41, finding number 6. A petition for reconsideration of that decision is currently pending.

2/ The discussion conditions presently provide that representatives of the Board, any other governmental body, and any other interested person shall be permitted to attend the discussions as observers, and that the airlines shall formulate ground rules for the presentation of the views of such observers. See Order 74-2-118, ordering paragraph 1.

3/ REA views itself as an air carrier entitled to participate in the discussions. This was not our intent in the discussion authorization, as the airlines recognized in their petition, since the purpose of the discussions is to agree on inter-direct air carrier procedures for priority cargo handling. REA does not operate as a direct air carrier, and therefore does not have an interest in common with the discussants. REA instead is to be treated, for the purposes of these discussions, as a shipper, in common with the other indirect air carriers, and the conditions will be clarified accordingly.

4/ See Order 74-2-118, at page 2 note 5.

5/ Id. at note 6.

Upon consideration of the petition and answers, the Board has decided to reconsider Order 74-2-118 for the limited purpose of modifying the conditions attached to the authorization of these inter-carrier discussions. In all other respects, that order remains unchanged.

As we have previously stated, the subject of high-priority air cargo service is one of great importance. 6/ Since we indicated in Order 73-12-36 that the present exemption authority to conduct air express service will soon be terminated, 7/ it is desirable that an agreement on the procedures for interline coordination of priority cargo be reached as soon as possible.

We continue to recognize the important roles of air freight forwarders, air taxis, and other interested persons in the movement of priority air cargo service. 8/ These persons have experience in air cargo movement, and their businesses will be affected by the procedures agreed on by the airlines. Therefore, it will be useful for the airlines to hear the views of interested persons before or during each non-continuous meeting. 9/ It is also important for the Board to have the benefit of informed comments from these persons when the agreement is filed for approval.

As a rule, we would prefer to condition Board-authorized discussions on the admission of observers. Knowledgeable observers can make useful suggestions to the discussants, and they can obtain a better understanding of the reasons underlying the eventual agreement. This interaction often leads to the adoption of better and less controversial agreements and the filing of more informed comments with the Board; but we recognize that the price of this type of open discussion can be significant delay in arriving at agreements, and, in some cases, less frank discussion by the various airlines than would otherwise obtain.

6/ See note 1, above.
7/ Id., at page 40, finding number 3.
8/ See Order 74-2-118, at page 4.
9/ The discussion authorization order left it to the discussants--the airlines--to formulate the rules for oral comments by interested non-discussants. See Order 74-2-118, at page 4. We leave this unchanged.

In the case at hand, the Board has determined that the presence throughout the discussions of observers other than as indicated below is not necessary to protect the interests of shippers and air taxis,10/ and that such presence would unduly delay the successful conclusion of the discussions. 11/ The reasons for the delay are the possibility of very large numbers of observers and the other problems referred to by the airlines in their petition for reconsideration. 12/

The rights of the nondiscussants will not be harmed because the airlines will still be required to send to all interested persons agendas, minutes of the airlines' discussions, and so on, and the airlines will have to allow adequate time for oral presentations and the written presentation of suggestions and requests by interested persons before beginning their discussions, 13/ and permit formal oral presentations and written comments from interested persons of the start of each non-continuous meeting. This will enable interested persons to comment on

---

10/ NATC suggests that its participation is required to effect interline procedures for priority freight between air taxis and certificated carriers. While we appreciate the benefits that could result from such a system, interjection of this broad issue at this stage of the proceeding would result in undue delay since the greatest immediate need is the formulation of interline procedures for priority freight between the airlines-petitioners. Only when this has been accomplished can attention be fruitfully turned to a priority system involving third-level carriers. Further, while we believe that the procedures detailed in the text fully protect the rights of NATC's members, we would be receptive to any request by the certificated carriers to include NATC as a participant if a showing is made that such participation would be conducive to the prompt and successful establishment of a priority air freight system.

11/ We reject the REA contention that the presence of a Board observer, without affording the same opportunity to the other parties in Docket 22388, would be prejudicial and improper.

12/ To date, the Board has received expressions of interest in attendance at the discussions by over 400 individual shippers. See the correspondence section of Docket 26238.

13/ All interested persons, including those who may not have yet filed documents in this docket or have expressed an interest, are to be given an opportunity to make oral presentations in a fair and orderly manner. The conditions will be clarified accordingly. Also, written recommendations, ideas, and requests of interested persons may be formally made to the discussants, and, of course, any person may informally express views to the airlines at any time.

the course the airlines are taking before a decision is reached on an agreement. In view of the fact that the minutes prepared by the airlines will be the only means for informing nondiscussants of the progress of the discussions up to the point of tentative agreement, we will require these minutes to be detailed and complete, including summaries of all points made in the discussions, without identification of the individual airlines' positions. Moreover, we have decided that once the airline discussants have reached tentative agreement on a plan, they should be required to schedule another open meeting at which the tentative plan will be explained and interested persons will have an opportunity to present their views, which the discussants will then consider before putting their agreement in final form. Finally, the agreement resulting from the discussions must be filed for prior Board approval, and when the airlines file their agreement we will require that they also present a detailed justification for each aspect of it, including reasons for the denial of the various material requests or suggestions made at the oral presentations or in writing by interested persons to the airlines.

As to the presence of observers from governmental bodies other than the Board, the presence of observers from the United States Departments of Transportation (DOT) and Justice (DOJ) will not delay the discussions and will be permitted.

ACCORDINGLY, IT IS ORDERED THAT:

1. Ordering paragraph "1" of Order 74-2-118 be and it hereby is modified to read as follows:

"1. The petition in this docket for authorization of inter-carrier discussions concerning the creation of industry-wide priority air cargo service be and it hereby is granted, subject to the following conditions:

(a) All direct air carriers and direct foreign air carriers presently participating in air express service shall be permitted to participate in each of these discussion meetings;

(b) These discussions shall not include the subjects of rate level, structure, or division; provided that they may consider types of commodities, if such consideration is limited to operational matters,

such as the interline handling of extraordinary items; and provided further that the discussions may consider the degree of priority; if any, which live animals should be given when shipped in any new priority service;

(c) These discussions shall take place in Washington, D.C., at a date, time, and place determined by the discussants;

(d) Representatives of the Board, DOT, and DOJ shall be permitted to attend each of these discussion meetings as observers;

(e) Notices, agendas, ground rules for the oral presentation by interested persons of views, suggestions, and requests to the discussants, and an address to which written comments for consideration by the discussants can be sent, pertaining to each noncontinuous meeting 14/ authorized herein shall be sent to (1) all carriers eligible to participate in these discussions, (2) the Board's Docket Section, (3) all persons who filed documents in this docket, and (4) all other persons who so request; such items to be filed with the Board and sent to the other persons enumerated not later than 7 calendar days before each meeting; provided, that the airlines shall provide for the consideration of oral and written presentations by interested persons before the start of, or during each noncontinuous meeting authorized herein; 15/ and after an oral presentation by the discussants of the tentative conclusions reached in their executive sessions;

(f) Complete and detailed minutes of these discussions shall be maintained by the participants, including a summary of each item discussed and the opinions expressed by the discussants on each point (but without identification of the person or airline making each point), and such minutes shall be filed with the Board's Docket Section, and sent to all other persons who so request, 16/ within 5 business days after the date of each meeting;

14/ By noncontinuous meeting, we mean a meeting beginning 5 or more business days since conclusion of the previous meeting.

15/ The discussants may, if necessary, limit the time available to those requesting an opportunity to make oral presentations, if that is done on a fair and equitable basis.

16/ The discussants are not precluded from setting a nominal charge to be paid for those requesting copies of the minutes; such charge should not exceed the cost of duplicating and sending such copies.

(g) Any agreement or agreements reached as a result of the discussions authorized herein shall be filed with the Board, pursuant to the requirements of section 412(a) of the Act (49 U.S.C. 1382) and Part 261 of the Board's Economic Regulations (14 C.F.R. 261) and Subpart P of the Board's Rules of Practice (14 C.F.R. 302.1601 through 302.1608), and shall not become effective unless and until approved by the Board pursuant to section 412(b) of the Act; provided, that the airlines filing the agreement shall accompany their application with a detailed justification for each aspect of it, including the reasons for the denial of material requests or suggestions made at the oral presentations or in writing by interested persons to the airlines; 17/

(h) The authorization granted herein shall expire after July 31, 1974; and

(i) The authorization granted herein may be extended, modified, or revoked at any time by the Board or by the Director of its Bureau of Operating Rights (action by the Director of the Bureau of Operating Rights to be subject to the procedures for review of staff action contained in Subpart C of 14 C.F.R. 385);" and

2. Except to the extent granted herein, all other outstanding requests in this docket be and they hereby are denied;

3. This order shall be served on all persons on whom Order 74-2-118 was served; and

This order shall be published in the Federal Register.

By the Civil Aeronautics Board:

EDWIN Z. HOLLAND

Secretary

(SEAL)

17/ Formal requests or suggestions of a similar nature can be grouped together and answered collectively.

ARGUMENTS PRESENTED IN THE PETITION FOR RECONSIDERATION AND ANSWERS THERETO

The Airlines

As a basis for their allegations, the airlines say that they have opted for the formal presentation of views of interested persons prior to commencement of the discussions. They feel, however, that upon completion of the presentations these persons should not be permitted to remain as observers during the airlines' discussions, since their presence would seriously inhibit open and frank consideration by the airlines of operating problems involving the traffic of these shippers. The airlines argue that since they compete for the traffic of these shippers, they would be extremely reluctant to raise operating problems with respect to their traffic with them present, for fear of incurring the ill-will of the shippers and resultant retaliation through withholding of traffic. They say that other airlines might attempt to curry the favor of the shippers by arguing or voting a certain way irrespective of the operating implications of such position. The airlines argue that the conditions attached to the discussion authorization afford ample protection to the shippers even if they are not present during the discussions.

With respect to air taxi operators and commuter air carriers, the airlines say they are willing to afford them the same opportunity to formally present their views as the shippers, but also do not want them present during the discussions. The airlines contend that the taxis and commuters do not have a direct interest in the formulation of interlining procedures between the certificated carriers. They say that industry-wide procedures for interlining freight between the certificated carriers have long existed, but there are no such industry-wide procedures between the non-certificated and certificated carriers, and that the problems of interlining ordinary air freight on an industry-wide basis should be solved before considering the problems of interlining priority cargo traffic.

The airlines do not object to the presence during the discussions of Board representatives. However, the airlines point out that no other governmental agency has requested to be present during these discussions, and they do not see the necessity for the presence of any but Board observers.

The airlines assert that the purpose of these discussions is to expeditiously resolve the problems involved in interlining priority cargo traffic, and that if they are given the opportunity to discuss the problems openly and frankly they can accomplish the desired results quickly. But, the airlines say, if they are restrained in their comments and presentations because of the presence of observers, the discussions may be frustrated and the interlining of priority cargo traffic may be unduly delayed.

AFFA

AFFA says that the airlines have not asserted a factual justification for secrecy. It also argues that forwarders choose airlines according to their service and not based on the regulatory views of particular airlines, and that these authorized discussions are not so emotionally charged as to generate the kind of airlines-shippers conflict claimed by the airlines. In addition, AFFA asserts that the subjects to be discussed by the airlines have already been disclosed to the shippers in formal Board proceedings, and therefore there are no operating secrets to be kept from the shippers.

REA

REA contends that it has an interest in seeing that the airlines' substitute for air express service is not inferior to the present service. It also says that the development of an adequate express service requires the participation of the shippers, and that the procedures suggested by the airlines, including the procedures for oral presentation of views, Board observers, and the filing of comments with the Board, will not adequately protect the shippers. REA also asserts that the airlines have not shown a need for secrecy in their discussions. Finally, REA says that the supplanting of air express should not be permitted unless the airlines can demonstrate overwhelming support for their proposed new service by the present air express customers.

PIP

PIP opposes what it says is the airlines' desire that only those shippers who have responded to date be permitted to make formal presentations and that after presentations shippers be excluded from the discussions. It says this might result in further lengthy hearings and the exclusion from the carriers' attention of the shippers' areas of concern or ideas. PIP further says that shippers should be able to provide supplemental statements, written or oral, after the start of the discussions but before a final agreement is reached. It says the agreement reached by the airlines will undoubtedly fail to explain its underlying rationale and considerations. PIP also argues that the fear of the airlines being inhibited in an open meeting is outweighed by the need to prevent undue airline pressure on each other. Finally, PIP says the presence of Board observers does not itself protect the public interest, and that any governmental agency should also be permitted to attend.

NATC

NATC says the airlines' reasons for the exclusion from the discussions of shippers is inapplicable to the question of NATC presence. It is sympathetic to the views of the airlines that the presence of shipper representatives might inhibit free and open discussion as to their traffic, but does not see the presence of air taxi representatives

having the same effect. It says that the limited form of nondiscussant presentation proposed would be of no avail to NATC, and that the minutes of the discussions, no matter how detailed, would not inform outsiders of everything that was considered at the discussions. NATC asserts that its members play a large role in air cargo transportation, and contrary to the airlines' contention, NATC says that the Airlines Air Taxi Interline Air Freight Traffic Agreement (Agreement CAB 21740) is, in effect, an industry-wide agreement for interlining freight between certificated and non-certificated carriers. In conclusion, NATC says that no adverse considerations warrant the exclusion of commuter air carriers from these discussions.

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

Four Star International
Mr. Gilbert Iverson

1. Wide Georgraphic Scope

We ship 500 shipments per week to all 52 states. Each and every shipment has a play date, one day late and it is valueless. The cost of making films is so high, additional days in shipping would add to television costs making small stations in out of way places unable to compete with larger network stations.

2. One Company

When a shipment is lost, there is a great need for immediate tracing. Again, each shipment has an air date.

3. Air Forwarders

I have found except for prime cities, most forwarders do not want to handle off line cities.

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

Garrett Corporation
Airsearch Manufacturing
Company of California
Mr. L. A. "Bud" Peffer

I am L. A. "Bud" Peffer, Manager, Transportation and Distribution, Garrett Corporation, Airsearch Manufacturing Company of California.

1. Airfreight service not up to par -- drivers wait in line -- windows slammed when driver arrives to deliver and Pick up freight -- freight has been over looked 3-4 days -- tracing system inadequate and inaccurate regarding freight location. I would like to see this area cleaned up before airlines take on a new burden like "on line priority service". In short, we question airline capability at this time.

2. We do not concur under the circumstances that REA be eliminated from the discussions for the reason that REA is not a direct air carrier. REA now has an agreement between the carriers to handle priority air express services. Assumably under the terms of that Agreement -- (as far as priority air express services are concerned), they are in fact in partnership with the airlines which makes them a "carrier" as long as the Agreement is in effect.

3. As a shipper, we use air freight forwarders on a limited basis (with the exception of air express), preferring to deal direct with the involved airline for two reasons

   A. It's cheaper, though, the service is not as good

   B. The airlines are our customers as we are customers of airlines

   We use REA because of their Air Express Priority Service.

4. We fail to see the reason (though this may be premature) for the airlines to want to establish an "industry-wide priority air cargo service", unless it is simply to generate more revenue, thereby enabling "the airlines to provide equal or better service at reduced rates for the shippers".

BEFORE THE AIR TRANSPORT ASSOCIATION

WASHINGTON, DC APRIL 18, 1974

REA AIR EXPRESS SERVICE

My name is Theodore W. Allen. I represent General Electric Company, Corporate Traffic Service, 1285 Boston Avenue, Bridgeport, Connecticut 06602.

I am appearing at this meeting today to stress General Electric Company's opposition to the proposed discontinuance of REA Air Express service. The Civil Aeronautics Board, under Docket 26238, has authorized discussions concerning industry-wide priority air cargo service, by their Order 74-2-118, stemming from the Board's decision in the Express Service Investigation, Docket 22388.

While General Electric Company uses all types of Air Express, we are most importantly concerned with the continuance of their Armed Guard Protective Service and their Protective Signature Service. We depend on this service extensively, especially for shipments to the military on which the Military Traffic Management and Terminal Service specifies Armed Guard Protective Security Service. We get all our routings for military shipments on Government Bills of Lading from MTMTS and in many cases they specify this service, or Protective Signature Service.

On Commercial Shipments of a secret nature from vendors or to customers, we must comply with the Industrial Security Manual published by the Department of Defense. (often requiring this service)

As an example regarding military shipments, our Re-Entry and Environmental Systems

Department at Philadelphia makes about 50 such shipments per month on which Armed Guard Protective Security Service is required by MTMTS, usually by REA Air Express. These shipments range in weight from 5 pounds to 5,000 pounds and even more in some cases. They go to destinations all over the United States and no other single company has the broad nationwide organization that REA Express has. Additionally, at most of these points REA has employee agents who work only for REA and not for several other companies at the same time, as is the case with some other transportation services.

Registered mail might be an alternative, but this service, is, of course, limited to relatively small shipments. Brink's Courier Service is another alternative, but it is in most cases slower, and speed is often an important consideration in these shipments. Another alternative is to send our own employees on passenger flights as couriers, but this, too, is very expensive.

Other General Electric departments using Armed Guard and Protective Signature services of REA Air Express are our Aerospace Electronics Systems Department in Utica, New York, our Diamond Manufacturing Operation in Worthington, Ohio, our Ordnance Systems Department in Pittsfield, Massachusetts, our Armament Systems Department in Burlington, Vermont, our Schnectady, New York plant, which manufactures many different products, and several other plant locations.

In short, General Electric Company needs and depends on these services, and up to this point we have seen no firm evidence that anyone else can or will provide a comparable nationwide service. We therefore respectfully urge that REA Express Armed Guar

Protective Security Service and Protective Signature Service be permitted to continue.

Theodore W. Allen

Theodore W. Allen
Manager - Transportation Pricing

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

Loma Corporation
Subsidiary of Lancaster Colony Corporation
Post Office Box 40350
9651 U.S. Highway 81 So.
Fort Worth, Texas 76140
Mr. John M. Bergman, Traffic Manager

Most, if not all, of us in this room are familiar with the term traffic as representing goods moved from one point to another.

I think we all can appreciate the necessity of having a reliable means for a truly priority express air service. Though a date has been established as to when the only priority air express service is to be dissolved, no comparable service has yet been brought forth by the airlines.

It would only make good sense to me before doing away with the only air priority express system we have, the shipping public have a comparable system in operation as REA Air Express. I, for one, do not believe the airlines will be able to provide a needed service to the shipping public.

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

Metromedia Producers Corp.
Mr. Robert Freedman

1. Identification in terms of markets cost covered.

2. Single office and single person responsibility

   A. Tracing
   B. Expediting
   C. Backup Shipments

3. Priority Service - rush holiday and increased U S mail service - decreased interlining - specific routing

4. Equivalent Price

   A. Specific commodity rates

5. Dependability - off hours

   A. Failure rate from commitment given

6. No parallel presently exists

   A. UPS
   B. Freight Express
   C. Normal Forwarders

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

TO AIR TRANSPORT ASSOCIATION OF AMERICA

COMMENTS OF

TOM KOLE, PRESIDENT & CHIEF EXECUTIVE OFFICER

April 18, 1974

Gentlemen:

As Chief Executive Officer of REA Express, the nation's oldest transportation company, and the one that has provided Air Express service -- along with our airline partners -- for 47 years, I appreciate this opportunity to make a presentation to your group.

Our presentation will be broken into two sections: The first, which I will present, will cover our corporate position and views as a potential user -- a shipper -- of priority air cargo service. The second presentation will be made by our Vice President of Economic Regulation, Mr. John Martin, and will cover the specific agenda items that you have proposed for review. Printed copies of both presentations are available for dissemination to interested parties.

You are seeking to create an industry-wide priority air cargo service and, as we see this, it is a grave responsibility. A responsibility which (a) involves an extraordinary sensitivity to the "express" shippers' needs; (b) detailed planning and organization; and (c) intricate coordination between your respective airlines. We are tremendously concerned that the magnitude of this task could be taken too lightly.

In an attempt to put the complexity of this problem in proper perspective, I'd like to define for you the elements that we believe are absolutely essential to this industry-wide priority air cargo service that is intended to replace Air Express as it exists today:

(1) SINGLE CARRIER RESPONSIBILITY -- A shipper should be able to work through one organization in solving all of his administrative problems involved in claims, tracing, billing, etc.

(2) SIMPLE DOCUMENTATION -- A shipper should be able to receive a single charge for the services performed.

(3) EXPEDITED GROUND HANDLING CAPABILITY -- The flexibility and controls and systems which allow -- in fact, maintain -- speedy pick-up -- delivery to the airlines -- delivery to the consignee.

(4) AIR LIFT PRIORITY -- The capability to move aboard passenger air craft in the shortest time possible with maximum flexibility for emergency movement of express merchandise.

(5) WIDESPREAD COVERAGE -- Nationwide, including Puerto Rico, Hawaii and Alaska, with service to large and small communities in the rural, outlying areas as opposed to merely the major traffic lanes of the country.

(6) EXTENSIVE COMMODITY COVERAGE -- A true carrier of express type traffic, not someone who merely skims the easy-to-handle traffic but one that provides service on high-value articles, live animals, perishable items, such as cut flowers, etc. moving C.O.D., in armed-guard service, etc.

(7) SINGLE GROUND AGENCY -- An organization geared to handle express traffic. This is an area highly under-rated and generally taken for granted. The terminal handling and pick-up and delivery function should be performed by a single concern with expertise in this area.

(8) SIMPLE TARIFFS -- Much of the merchandise moved in Air Express is moved by the non-sophisticated, non-traffic-oriented, physical distribution type individual. It should be simple and easy for him to determine charges and this is a user-problem that is often overlooked.

(9) SPEED AND CONSISTENCY -- Express should represent exactly what the word connotes. It should not be a deferred service -- either on the ground or in the air!

(10) REASONABLE RATES -- Rates that encourage movement by air and that are related to the value of the service provided.

Gentlemen, it is with these requirements in mind, and the overwhelming customer reaction to the need that this service continue to be provided, that we, as a company, chose to change our corporate position -- to relinquish our right to become an air freight forwarder -- and pursue the course of convincing you and the regulatory agencies that Air Express should be continued in its present form.

While we do not mean to imply that Air Express is perfect -- we have, and are, making constant improvements (in conjunction with the airlines that you represent) and in an overwhelming measure satisfying the aforementioned requirements on a daily basis.

Because of this, we firmly believe that it is in the best interests of the shipping public to retain the service that they have become dependent upon -- rather than spend a lot of time, money and energy in the hasty and unnecessary development of an alternate service -- a service which, with its inherent investment and start-up costs, has a tremendously high possibility of being inferior and far more expensive. That is, of course, why we filed a motion to extend Air Express and why we firmly believe that these meetings are premature.

Our Petition, dated March 26, 1974, has received the concurrence of a large majority of the airlines as well as the National Small Shipments Traffic Conference on behalf of shippers. We are hopeful, of course, that the CAB's action with respect to that Motion will be forthcoming shortly, particularly

in view of the presently proposed June 5 expiration date. Our experience in the area of handling Air Express business forces us to inform this group that any action to put together an alternative service within this limited time period can be catastrophic to all concerned.

We are equally concerned that notice given concerning these discussions was inadequate. REA received its notice just three days prior to this meeting. In many instances, it was almost impossible to even get a hotel room in the Washington, D.C. area in that time period. In addition, this is far too short a time period to formulate adequate substantive comments on such very important issues. In addition, many interested parties did not even receive a copy of the agenda in advance of the meeting.

As you may know, we have also filed a Petition for Reconsideration of the format of these meetings and that petition is still pending. We requested that REA and the shippers be direct participants in these discussions and the airlines opposed that action. The CAB's final determination of our petition should determine the final ground rules that are to be followed. The pushing ahead of the meetings before such ground rules have been determined, works to the substantial disadvantage of REA and the many interested shippers.

In addition, REA's Petition for Reconsideration involves the scope of the discussions as well. We believe the discussions should include the entirety of the proposed service, and not merely be limited to certain aspects, so that the performance of the direct air carrier procedures and related services on the ground, including pick-up and delivery, can be carefully and properly integrated.

Notices and agendas should have been given broader distribution prior to the holding of these meetings. We do not believe that the distribution of the agendas should depend simply on whether the shipper had already written to the CAB on the subject. Agenda items should be sent two weeks prior to a meeting, to all parties in the related CAB dockets and to all shippers who have been using Air Express with some degree of regularity. Shippers, in our judgment, should have the right to submit additional agenda items.

CONCLUSION

(1) The shipping public has come to accept Air Express as a generic term for the movement of air shipments in a smooth, uninterrupted way. The elimination of Air Express service will also eliminate REA's nationwide surface transportation services; a service performed by no other carrier.

It will also deprive REA's thousands of long-time employees -- who have devoted their careers to serving the shipping public throughout the United States -- of their livelihood.

(2) REA is therefore strongly committed to the preservation of Air Express as a vital, unduplicated, unique public service. We find it difficult, therefore, to understand the need to establish a replacement service -- particularly in such a hurried fashion.

(3) I would now like Mr. Martin to cover our views regarding your agenda items.

Thank you.

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

April 18, 1974

TO: AIR TRANSPORT ASSOCIATION OF AMERICA

COMMENTS OF REA EXPRESS, INC.
CONCERNING AIRLINE DISCUSSIONS

These comments are based upon the airlines' notice of meeting and agenda dated April 11, but not received until April 15, relating to airline discussions concerning industry-wide priority air cargo service (CAB Docket 26238). For convenient reference, a copy of the agenda is attached. In the following comments the same number is used as the item it refers to in the agenda.

John J. C. Martin

1. PROCEDURAL MATTERS

-- Definition of "industry-wide priority air cargo service". Air Express.

-- Extension of Air Express.

It certainly is better to retain a service that so many shippers have become dependent upon, if possible, than to spend a lot of time, energy and funds in the development of an alternative service which is inferior -- and more expensive with the new investments in facilities and equipment, and start-up costs which would be entailed. REA's motion to extend Air Express (dated March 26, 1974) has received the concurrence of the large majority of the airlines as well as the National Small Shipments Traffic Conference on behalf of shippers. The CAB's action with respect to that motion presumably will be forthcoming shortly, in view of the present June 5 expiration date. These present discussions therefore should await the Board's action.

-- The notice given for this meeting was inadequate. REA received its notice only three days prior to the meeting -- on April 15. This is far too short a time to formulate adequate substantive comments on such important issues. Further, many interested parties did not even receive a copy of the agenda in advance of this meeting.

-- The meeting is premature also because REA requested that it and the shippers be direct participants in the discussions. The airlines opposed. REA's petition for reconsideration on that issue is still pending at the CAB. CAB action on REA's petition will determine the final ground rules to be followed. Pushing ahead the meetings before these ground rules have been determined will work to the substantial disadvantage of REA and the interested shippers. Further, REA's petition for reconsideration involves the scope of

the discussions as well. It states that the discussions should include the entirety of the service, not merely certain limited aspects, so that the performance of direct air carrier procedures and related services on the ground, including pickup and delivery, can be carefully integrated.

-- Notices and agendas should be given broader distribution prior to the holding of the meetings. The distribution of the agendas should not depend on simply whether the shipper had already written to the CAB on the subject. Agenda items should be sent, two weeks prior to the meeting, to all parties in the related CAB dockets and also all shippers who have been using Air Express with some degree of regularity. Shippers should have the right to submit additional agenda items.

* * * * * *

REA is strongly committed to the preservation of Air Express as a vital, unduplicated public service. Also at stake are (1) REA's unique nationwide surface transportation services, performed by no other carrier, and (2) the interests of REA's thousands of long-time employees who have devoted their careers to serving the shipping public throughout the United States. As already stated we believe these discussions are premature and misconceived because they divert energy and attention from what we regard as one of the pre-eminent public needs in the field of transportation today -- the continuation of Air Express! To that objective we should be directing our efforts.

2. Scope of air carriers' operating rights: This item is beyond the authority granted for these discussions. The Board has stated that these discussions are limited to inter-direct air carrier operational matters (Order 74-2-118, p. 1-3, Order 74-4-1 p. 1, fn. 3). Scope of operating rights

for priority cargo service is within the scope of the Express Service case, Docket 22388, not Docket 26238.

3. The name of priority air cargo service: This item is not an operational matter. Hence its discussion is not authorized under the CAB's order. Further, REA opposes the illegal appropriation of the Air Express name which it has used since 1927.

4. Pickup and delivery service, division of traffic, selection of tariff publishing agents and tariff rules are not inter-direct air carrier operational matters; the latter two involve rate level, structure and division, and they are therefore outside the scope of the discussions under the CAB's order (Order 74-4-1, p. 4). The airlines are the owners of Air Cargo, Inc. and they have a conflict of interest in trying to substitute it for the pickup and delivery service performed by REA and its employees. In any event, REA's investment, the jobs of its employees, and its long promotion of Air Express should be protected. REA should have the first option to perform the same functions in any alternative service which it has always performed for Air Express -- pickup and delivery, claims, interline transfer, accounting and division of traffic, and sales and promotion, etc. Failure to permit REA to continue to perform such functions would unfairly deprive REA and its employees of their rights and jobs. Further, REA is best qualified to do this in view of its long experience, present equipment and facilities, and corps of trained employees.

5. The new service, including pickup and delivery, should be at least as comprehensive as Air Express with respect to geographic and commodity coverage and provide the same frequency of service.. Otherwise, the interests of the shipping public will be needlessly sacrificed.

6. The new service should provide priority service for all commodities previously served in Air Express.

7. The tariff used involves rate levels, structure and division. This agenda item therefore is beyond the scope of discussions as approved by the CAB. In any event, the air freight tariffs cannot be used since they do not generally provide comprehensive coverage and such services as armed-guard and protective signature service. These are benefits which the public has now and has a right to expect will be continued. Further, under existing tariff provisions for the other so-called priority services, the public will have to pay substantially more. Whatever plans or determinations are made by the airlines as to tariffs and charges should be submitted to the shippers for their comments before the tariffs are actually filed, and well before the point of no return is reached as to Air Express as a viable alternative.

8. There must be a single air bill available to the shipping public which will be used by all airlines and will be the sole shipping document moving goods from and to all points. Single carrier responsibility, tracing and off-line service should be required. This will allow the shipping public to hold one carrier responsible for all transportation movements, and will permit the airlines to reduce unnecessary duplication and paperwork costs.

9. We agree that interline handling, coordination and consolidated interline terminals are essential.

10. This statement is made without prejudice to REA's position in the various CAB dockets dealing with matters involving Air Express. We want Air Express to continue on a viable basis.

Air Transport Association ata OF AMERICA

1709 New York Avenue, N.W.
Washington, D. C. 20006
Phone (202) 872-4000

J. T.

APR 15 1974

April 11, 1974

TO:
- Air carriers eligible to participate in discussion concerning industry-wide priority air cargo service. (See Exhibit 1)
- Docket Section - CAB (Docket 26238)
- Persons who filed documents in this docket. (See Exhibit 1)

SUBJECT: NOTICE AND AGENDA - FIRST MEETING - INDUSTRY-WIDE PRIORITY AIR CARGO SERVICE - DOCKET 26238 - WASHINGTON, D. C., APRIL 18, 1974, 10:00 A.M.

Pursuant to C.A.B. orders; 74-2-118 and 74-4-1 in Docket 26238 granting authority of inter-carrier discussions concerning the creation of industry-wide priority air cargo service, the first meeting is hereby scheduled for April 18, 1974, beginning at 10:00 A.M. at the Air Transport Association of America, 1709 New York Avenue, N.W., Washington, D. C., Conference Rooms A, B, and C, Fifth Floor.

Order 74-4-1 authorizes air carriers to hold separate meetings with observers limited to; the Civil Aeronautics Board, Department of Transportation and the Department of Justice.

Participating air carriers are required to provide for the consideration of oral and written presentations by other interested parties before the start of or during each meeting and after tentative conclusions have been reached.

In this regard, the Agreements Division of the Civil Aeronautics Board has telegraphed all those who have written to the CAB in connection with Docket 26238 advising them that the first meeting has been scheduled for April 18, 1974. Mr. G. J. Godbout, Director - Cargo Services, Air Transport Association, telephone 872-4129, has been given as the contact for those interested in making an oral or written presentation.

The air carriers are permitted to formulate rules for such oral presentations on a fair and equitable basis. It is anticipated that a special meeting will be scheduled specifically for presentations from interested parties. Discussions shall not include the subjects of rate level, rate structure or rate divisions.

Attached is the agenda for this first meeting.

G. J. Godbout

AGENDA

FIRST MEETING

DOCKET 26238

PRIORITY AIR CARGO SERVICE

Item 1 Procedural Matters - Conduct of Meetings - Formulation of Rules for Oral Presentations of Interested Parties.

Item 2 Define Scope of Air Carriers Operating Rights Under Proposed Priority Air Cargo Service as Compared to Present Scope of Air Express Service.

Item 3 Name of Priority Air Cargo Service.

A carrier proposes that the name "Air Express" be maintained.

Item 4 Develop a Management Structure to Handle the Various Components of an Industry Priority Air Cargo Service, i.e., Selection of Tariff Publishing Agents, PU & D Service, Insurance Claims, Interline Transfer System, Division of Traffic and Tariff Rules.

A carrier suggests a discussion on the role of Air Cargo, Inc.

Item 5 Define Minimum Service Standards.

AGENDA

Item 6 Priority Distinction Within the Priority Air Cargo Service - Treatment of Commodities.

Restrictions, if any, on high value items and live animals.

A carrier suggests that there not be any distinction and that all commodities be treated the same.

Item 7 Form of Tariff

Airport to Airport
Door to Door

One carrier proposed that carriers not issue any new tariffs but use existing air freight tariffs.

Item 8 Forms

Express bill
Transfer manifest

Item 9 Interline Handling

Point of Acceptance

Line Terminal
Freight Terminal
Consolidated Interline Terminals

Item 10 Other

CARRIERS ELIGIBLE TO PARTICIPATE IN DISCUSSIONS CONCERNING INDUSTRY-WIDE PRIORITY AIR CARGO SERVICE DOCKET 26238

Air Canada
Air France
Airlift
Airwest
Alaska
Allegheny
American
Aspen
Braniff
Continental
Delta
Eastern
Flying Tiger
Frontier
National
New York
North Central
Northwest
Ozark
Pan American
Piedmont
San Francisco-Oakland
Seaboard
Southern
Texas International
Trans World
United
Western

PERSONS WHO FILED DOCUMENTS IN DOCKET 26238

Air Freight Forwarders Association

National Air Transportation Conference, Inc.

Pet Industry Joint Advisory Council

REA Express

Society of American Florists

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

Time, Incorporated
Mr. Cal Thomas

Time, Incorporated publishes magazines and books. Magazines are: Time, Sports Illustrated, Fortune, Money, and People. In order to produce these publications, film and plates are shipped across the country to our various printing plants (in the West, Midwest, South, and the Northeast). All shipments must meet a very critical dead line at all plants. Plant crews standing idle is very costly.

We must have a service which provides fast efficient handling of our shipments. We need the flexibility of a priority look out schedule with the carriers. We need priority service in unloading of aircraft in order to ensure earliest possible removal. It is essential that we know where that shipment is at all times. We request specific flights and must know that we are on board. Control of shipments is essential.

We deliver to and pick up from the airports with our own vehicles, therefore, door to door delivery is not as critical for us as it may be for others. We also need maximum protection for our shipments such as the armed surveillance service now provided by REA.

Distribution of many of our publications to wholesalers must have an air expedited service in order for us to compete with other publications on newstands. An air priority service is absolutely essential to our business and any substitute service different from the present must provide the same or better service than REA.

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

Zale Corporation
Mr. Willie Martin

I have sat and listened to the rules and regulations of this meeting. We have been told that we cannot talk about rates of the priority service. We have been told that we cannot talk about air express. We must talk only about the priority air service. This is just like I would have thought, that no one is interested in a shippers view (to the rate structures or to express service). This is proven by the extremely short notice given. The CAB man appears to be worred about whether a shipper has written the CAB before or not.

Therefore I will restrict my comments to priority service by the airlines. It is extremely difficult to talk about priority service by the airlines when it appears that the airlines cannot expedite shipments during the present time because of the so-called energy crisis. Before this so-called energy crisis, shipments could move overnight to most of the major cities of the U.S. Now it takes two and sometimes three days just from a major city such as Boston to Dallas. It is quite obvious that the airlines do not intend to give a full service priority air service as they can with the exception of Dash (and Dash does not have a country-wide service).

AIR FREIGHT FORWARDERS ASSOCIATION OF AMERICA
1730 RHODE ISLAND AVENUE, N.W. • SUITE 607
WASHINGTON, D.C. 20036 • 293-1030

April 17, 1974

Mr. G. J. Godbout
Director - Cargo Services,
Air Transport Association
1709 New York Avenue, N.W.
Washington, D.C. 20006

Re: Docket 26238 - Priority Air Cargo Discussions

Dear Gerry:

This will confirm my telephone call to your office today requesting an opportunity to make a full presentation on behalf of the AFFA on the above-entitled matter at a future meeting subsequent to the April 18, 1974 airline organizational meeting. We did not interpret Item 1 of your agenda of the April 18 meeting as calling for oral presentations at that meeting since it appeared to encompass only procedural matters involving the "formulation of rules" for the later presentation of interested parties.

We also will make a written presentation at a period subsequent to our oral presentation. As a party, we wish to receive minutes of each meeting.

Sincerely yours,

Louis P. Haffer

Louis P. Haffer
Executive Vice President
and Counsel

LPH:as

cc: Docket Section
Civil Aeronautics Board
Docket 26238

in view of the presently proposed June 5 expiration date. Our experience in the area of handling Air Express business forces us to inform this group that any action to put together an alternative service within this limited time period can be catastrophic to all concerned.

We are equally concerned that notice given concerning these discussions was inadequate. REA received its notice just three days prior to this meeting. In many instances, it was almost impossible to even get a hotel room in the Washington, D.C. area in that time period. In addition, this is far too short a time period to formulate adequate substantive comments on such very important issues. In addition, many interested parties did not even receive a copy of the agenda in advance of the meeting.

As you may know, we have also filed a Petition for Reconsideration of the format of these meetings and that petition is still pending. We requested that REA and the shippers be <u>direct participants</u> in these discussions and the airlines opposed that action. The CAB's final determination of our petition should determine the final ground rules that are to be followed. The pushing ahead of the meetings before such ground rules have been determined, works to the substantial disadvantage of REA and the many interested shippers.

In addition, REA's Petition for Reconsideration involves the scope of the discussions as well. We believe the discussions should include the entirety of the proposed service, and not merely be limited to certain aspects, so that the performance of the direct air carrier procedures and related services on the ground, including pick-up and delivery, can be carefully and properly integrated.

Notices and agendas should have been given broader distribution prior to the holding of these meetings. We do not believe that the distribution of the agendas should depend simply on whether the shipper had already written to the CAB on the subject. Agenda items should be sent two weeks prior to a meeting, to all parties in the related CAB dockets and to all shippers who have been using Air Express with some degree of regularity. Shippers, in our judgment, should have the right to submit additional agenda items.

CONCLUSION

(1) The shipping public has come to accept Air Express as a generic term for the movement of air shipments in a smooth, uninterrupted way. The elimination of Air Express service will also eliminate REA's nationwide surface transportation services; a service performed by no other carrier.

It will also deprive REA's thousands of long-time employees -- who have devoted their careers to serving the shipping public throughout the United States -- of their livelihood.

(2) REA is therefore strongly committed to the preservation of Air Express as a vital, unduplicated, unique public service. We find it difficult, therefore, to understand the need to establish a replacement service -- particularly in such a hurried fashion.

(3) I would now like Mr. Martin to cover our views regarding your agenda items.

Thank you.

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

April 18, 1974

TO: AIR TRANSPORT ASSOCIATION OF AMERICA

COMMENTS OF REA EXPRESS, INC.
CONCERNING AIRLINE DISCUSSIONS

These comments are based upon the airlines' notice of meeting and agenda dated April 11, but not received until April 15, relating to airline discussions concerning industry-wide priority air cargo service (CAB Docket 26238). For convenient reference, a copy of the agenda is attached. In the following comments the same number is used as the item it refers to in the agenda.

John J. C. Martin

1. PROCEDURAL MATTERS

-- Definition of "industry-wide priority air cargo service": Air Express.

-- Extension of Air Express.

It certainly is better to retain a service that so many shippers have become dependent upon, if possible, than to spend a lot of time, energy and funds in the development of an alternative service which is inferior -- and more expensive with the new investments in facilities and equipment, and start-up costs which would be entailed. REA's motion to extend Air Express (dated March 26, 1974) has received the concurrence of the large majority of the airlines as well as the National Small Shipments Traffic Conference on behalf of shippers. The CAB's action with respect to that motion presumably will be forthcoming shortly, in view of the present June 5 expiration date. These present discussions therefore should await the Board's action.

-- The notice given for this meeting was inadequate. REA received its notice only three days prior to the meeting -- on April 15. This is far too short a time to formulate adequate substantive comments on such important issues. Further, many interested parties did not even receive a copy of the agenda in advance of this meeting.

-- The meeting is premature also because REA requested that it and the shippers be direct participants in the discussions. The airlines opposed. REA's petition for reconsideration on that issue is still pending at the CAB. CAB action on REA's petition will determine the final ground rules to be followed. Pushing ahead the meetings before these ground rules have been determined will work to the substantial disadvantage of REA and the interested shippers. Further, REA's petition for reconsideration involves the scope of

the discussions as well. It states that the discussions should include the entirety of the service, not merely certain limited aspects, so that the performance of direct air carrier procedures and related services on the ground, including pickup and delivery, can be carefully integrated.

-- Notices and agendas should be given broader distribution prior to the holding of the meetings. The distribution of the agendas should not depend on simply whether the shipper had already written to the CAB on the subject. Agenda items should be sent, two weeks prior to the meeting, to all parties in the related CAB dockets and also all shippers who have been using Air Express with some degree of regularity. Shippers should have the right to submit additional agenda items.

* * * * * *

REA is strongly committed to the preservation of Air Express as a vital, unduplicated public service. Also at stake are (1) REA's unique nationwide surface transportation services, performed by no other carrier, and (2) the interests of REA's thousands of long-time employees who have devoted their careers to serving the shipping public throughout the United States. As already stated we believe these discussions are premature and misconceived because they divert energy and attention from what we regard as one of the pre-eminent public needs in the field of transportation today -- the continuation of Air Express! To that objective we should be directing our efforts.

2. Scope of air carriers' operating rights: This item is beyond the authority granted for these discussions. The Board has stated that these discussions are limited to inter-direct air carrier operational matters (Order 74-2-118, p. 1-2, Order 74-4-1 p. 1, fn. 3). Scope of operating rights

for priority cargo service is within the scope of the Express Service case, Docket 22388, not Docket 26238.

3. The name of priority air cargo service: This item is not an operational matter. Hence its discussion is not authorized under the CAB's order. Further, REA opposes the illegal appropriation of the Air Express name which it has used since 1927.

4. Pickup and delivery service, division of traffic, selection of tariff publishing agents and tariff rules are not inter-direct air carrier operational matters; the latter two involve rate level, structure and division, and they are therefore outside the scope of the discussions under the CAB's order (Order 74-4-1, p. 4). The airlines are the owners of Air Cargo, Inc. and they have a conflict of interest in trying to substitute it for the pickup and delivery service performed by REA and its employees. In any event, REA's investment, the jobs of its employees, and its long promotion of Air Express should be protected. REA should have the first option to perform the same functions in any alternative service which it has always performed for Air Express -- pickup and delivery, claims, interline transfer, accounting and division of traffic, and sales and promotion, etc. Failure to permit REA to continue to perform such functions would unfairly deprive REA and its employees of their rights and jobs. Further, REA is best qualified to do this in view of its long experience, present equipment and facilities, and corps of trained employees.

5. The new service, including pickup and delivery, should be at least as comprehensive as Air Express with respect to geographic and commodity coverage and provide the same frequency of service.. Otherwise, the interests of the shipping public will be needlessly sacrificed.

6. The new service should provide priority service for all commodities previously served in Air Express.

7. The tariff used involves rate levels, structure and division. This agenda item therefore is beyond the scope of discussions as approved by the CAB. In any event, the air freight tariffs cannot be used since they do not generally provide comprehensive coverage and such services as armed-guard and protective signature service. These are benefits which the public has now and has a right to expect will be continued. Further, under existing tariff provisions for the other so-called priority services, the public will have to pay substantially more. Whatever plans or determinations are made by the airlines as to tariffs and charges should be submitted to the shippers for their comments before the tariffs are actually filed, and well before the point of no return is reached as to Air Express as a viable alternative.

8. There must be a single air bill available to the shipping public which will be used by all airlines and will be the sole shipping document moving goods from and to all points. Single carrier responsibility, tracing and off-line service should be required. This will allow the shipping public to hold one carrier responsible for all transportation movements, and will permit the airlines to reduce unnecessary duplication and paperwork costs.

9. We agree that interline handling, coordination and consolidated interline terminals are essential.

10. This statement is made without prejudice to REA's position in the various CAB dockets dealing with matters involving Air Express. We want Air Express to continue on a viable basis.

Air Transport Association ata OF AMERICA

1709 New York Avenue, N.W.
Washington, D. C. 20006
Phone (202) 872-4000

J. T.

APR 15 1974

April 11, 1974

TO:
- Air carriers eligible to participate in discussion concerning industry-wide priority air cargo service. (See Exhibit 1)
- Docket Section - CAB (Docket 26238)
- Persons who filed documents in this docket. (See Exhibit 1)

SUBJECT: NOTICE AND AGENDA - FIRST MEETING - INDUSTRY-WIDE PRIORITY AIR CARGO SERVICE - DOCKET 26238 - WASHINGTON, D. C., APRIL 18, 1974, 10:00 A.M.

Pursuant to C.A.B. orders; 74-2-118 and 74-4-1 in Docket 26238 granting authority of inter-carrier discussions concerning the creation of industry-wide priority air cargo service, the first meeting is hereby scheduled for April 18, 1974, beginning at 10:00 A.M. at the Air Transport Association of America, 1709 New York Avenue, N.W., Washington, D. C., Conference Rooms A, B, and C, Fifth Floor.

Order 74-4-1 authorizes air carriers to hold separate meetings with observers limited to; the Civil Aeronautics Board, Department of Transportation and the Department of Justice.

Participating air carriers are required to provide for the consideration of oral and written presentations by other interested parties before the start of or during each meeting and after tentative conclusions have been reached.

In this regard, the Agreements Division of the Civil Aeronautics Board has telegraphed all those who have written to the CAB in connection with Docket 26238 advising them that the first meeting has been scheduled for April 18, 1974. Mr. G. J. Godbout, Director - Cargo Services, Air Transport Association, telephone 872-4129, has been given as the contact for those interested in making an oral or written presentation.

The air carriers are permitted to formulate rules for such oral presentations on a fair and equitable basis. It is anticipated that a special meeting will be scheduled specifically for presentations from interested parties. Discussions shall not include the subjects of rate level, rate structure or rate divisions.

Attached is the agenda for this first meeting.

G. J. Godbout

AGENDA

FIRST MEETING

DOCKET 26238

PRIORITY AIR CARGO SERVICE

Item 1 Procedural Matters - Conduct of Meetings - Formulation of Rules for Oral Presentations of Interested Parties.

Item 2 Define Scope of Air Carriers Operating Rights Under Proposed Priority Air Cargo Service as Compared to Present Scope of Air Express Service.

Item 3 Name of Priority Air Cargo Service.

A carrier proposes that the name "Air Express" be maintained.

Item 4 Develop a Management Structure to Handle the Various Components of an Industry Priority Air Cargo Service, i.e., Selection of Tariff Publishing Agents, PU & D Service, Insurance Claims, Interline Transfer System, Division of Traffic and Tariff Rules.

A carrier suggests a discussion on the role of Air Cargo, Inc.

Item 5 Define Minimum Service Standards.

AGENDA

- 2 -

Item 6 Priority Distinction Within the Priority Air Cargo Service - Treatment of Commodities.

Restrictions, if any, on high value items and live animals.

A carrier suggests that there not be any distinction and that all commodities be treated the same.

Item 7 Form of Tariff

Airport to Airport
Door to Door

One carrier proposed that carriers not issue any new tariffs but use existing air freight tariffs.

Item 8 Forms

Express bill
Transfer manifest

Item 9 Interline Handling

Point of Acceptance

Line Terminal
Freight Terminal
Consolidated Interline Terminals

Item 10 Other

CARRIERS ELIGIBLE TO PARTICIPATE IN DISCUSSIONS CONCERNING INDUSTRY-WIDE PRIORITY AIR CARGO SERVICE DOCKET 26238

Air Canada
Air France
Airlift
Airwest
Alaska
Allegheny
American
Aspen
Braniff
Continental
Delta
Eastern
Flying Tiger
Frontier
National
New York
North Central
Northwest
Ozark
Pan American
Piedmont
San Francisco-Oakland
Seaboard
Southern
Texas International
Trans World
United
Western

PERSONS WHO FILED DOCUMENTS IN DOCKET 26238

Air Freight Forwarders Association

National Air Transportation Conference, Inc.

Pet Industry Joint Advisory Council

REA Express

Society of American Florists

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

Time, Incorporated
Mr. Cal Thomas

Time, Incorporated publishes magazines and books. Magazines are: Time, Sports Illustrated, Fortune, Money, and People. In order to produce these publications, film and plates are shipped across the country to our various printing plants (in the West, Midwest, South, and the Northeast). All shipments must meet a very critical dead line at all plants. Plant crews standing idle is very costly.

We must have a service which provides fast efficient handling of our shipments. We need the flexibility of a priority look out schedule with the carriers. We need priority service in unloading of aircraft in order to ensure earliest possible removal. It is essential that we know where that shipment is at all times. We request specific flights and must know that we are on board. Control of shipments is essential.

We deliver to and pick up from the airports with our own vehicles, therefore, door to door delivery is not as critical for us as it may be for others. We also need maximum protection for our shipments such as the armed surveillance service now provided by REA.

Distribution of many of our publications to wholesalers must have an air expedited service in order for us to compete with other publications on newstands. An air priority service is absolutely essential to our business and any substitute service different from the present must provide the same or better service than REA.

INTERESTED PARTIES
ORAL PRESENTATIONS
(WRITTEN COPY)

Zale Corporation
Mr. Willie Martin

I have sat and listened to the rules and regulations of this meeting. We have been told that we cannot talk about rates of the priority service. We have been told that we cannot talk about air express. We must talk only about the priority air service. This is just like I would have thought, that no one is interested in a shippers view (to the rate structures or to express service). This is proven by the extremely short notice given. The CAB man appears to be worred about whether a shipper has written the CAB before or not.

Therefore I will restrict my comments to priority service by the airlines. It is extremely difficult to talk about priority service by the airlines when it appears that the airlines cannot expedite shipments during the present time because of the so-called energy crisis. Before this so-called energy crisis, shipments could move overnight to most of the major cities of the U.S. Now it takes two and sometimes three days just from a major city such as Boston to Dallas. It is quite obvious that the airlines do not intend to give a full service priority air service as they can with the exception of Dash (and Dash does not have a country-wide service).

AIR FREIGHT FORWARDERS ASSOCIATION OF AMERICA
1730 RHODE ISLAND AVENUE, N.W. • SUITE 607
WASHINGTON, D.C. 20036 • 293-1030

April 17, 1974

Mr. G. J. Godbout
Director - Cargo Services,
Air Transport Association
1709 New York Avenue, N.W.
Washington, D.C. 20006

Re: Docket 26233 - Priority Air Cargo Discussions

Dear Gerry:

This will confirm my telephone call to your office today requesting an opportunity to make a full presentation on behalf of the AFFA on the above-entitled matter at a future meeting subsequent to the April 18, 1974 airline organizational meeting. We did not interpret Item 1 of your agenda of the April 18 meeting as calling for oral presentations at that meeting since it appeared to encompass only procedural matters involving the "formulation of rules" for the later presentation of interested parties.

We also will make a written presentation at a period subsequent to our oral presentation. As a party, we wish to receive minutes of each meeting.

Sincerely yours,

Louis P. Haffer

Louis P. Haffer
Executive Vice President
and Counsel

LPH:as

cc: Docket Section
Civil Aeronautics Board
Docket 26238

CUmberland 9-3400
Area Code 215

All-Luminum Products INC

Leading Manufacturers of Casual Furniture . . .
Indoors and Outdoors

Tulip & Westmoreland Sts. - Philadelphia, Pa. 19134
Cable Address: "ALLUM"

April 17, 1974

Mr. C. J. Godbout
% Air Transport Association
1709 New York Avenue, N. W.
Washington, D. C. 20006

Dear Mr. Godbout:

Please consider this letter as my deposition in protest to Docket 26238. I feel that no alternate service can fill the place of this unique system.

As a user of Air Express, I am interested in CAB Docket #26238, and would like to be represented at these meetings, in person, or by letter. I feel there is a definite need for Air Express priority service and their single carrier responsibility. Since many of my shipments are to off-line points, Air Express is important to my total distribution.

If priority Air Express was discontinued, how would it affect my pick-up service, and who would be the delivering carrier? How would I be billed and who would perform the tracing service? These are some of the questions I would like answered, since they concern my distribution.

I would appreciate a copy of the minutes of this meeting via U. S. mail.

Sincerely yours,

ALL-LUMINUM PRODUCTS, INC.

John S. Davasky
Traffic Manager

pjb

P.S. Due to ill health I cannot appear in person.

allied printing service, inc.
2055 EXECUTIVE DR. • INDIANAPOLIS, IND. 46241 • 317 243-8351

April 16, 1974

Mr. G.J. Godbout
Air Transport Association
1709 New York Avenue, N.W.
Washington, D.C. 20006

RE: CAB ORDER 2/27/74 DOCKET 26238

Dear Mr. Godbout:

Please consider our support of REA-Air Express priority for the following reasons:

1. Contract Printing done for the U.S. Government Printing Office occasionally requires such service provided by REA-Air Express
2. Commerical Printing, requiring fast delivery of relatively small bundles is dependent on such service.

Very truly,

ALLIED PRINTING SERVICE, INC.

William F. Piel

WFP/jo

AMERICAN OPTICAL
CORPORATION
MEDICAL DIVISION

Phone: (617) 275-0500
Cable Address: "AMOPTICO"
Telex: 97-3487

Crosby Drive, P.O. Box 361
Bedford, Mass. 01730

Transport Association of America
1709 New York Ave., N.W.
Washington, D.C.

Attention Mr. G. J. Godbout

April 17, 1974

Dear Mr. Godbout:

Reference your wire concerning meeting on the continuation of REA Air Express priority service on April 18, 1974:

Due to the short notice of this meeting, I will not be able to attend in person. I would at this time like to reiterate my support of the continuation of REA Air Express Priority Service.

American Optical Corp. (Medical Division) requires the type of service that REA Priority Air Express provides for our corporation. I would also like to be informed on the minutes of this meeting.

Sincerely,

Jim Barry

Jim Barry
Traffic Manager

AMERICAN PHEASANT & WATERFOWL SOCIETY

FRANK M. SHYMANSKI
President
2310 Saratoga Street
Wisconsin Rapids, [illegible] SERVICES-ATC

April 18th., 1974 Phone - (715) - 423 - 9041

Air Transport Assc.
1709-New York Av.
Washington, D.C. 20006

Dear Sirs:-

Have shipped game birds by R.E.A express since 1929. In all that time have lost less than a dozen birds in shipment that + made. Have a twelve gauge shot gun shell box full of express Receipts that I kept sine 1929. until today, in 72 made seventy seperate shipments,in 73 made fifty sepetate ship ments,so far in 74 mad made fourteen shipments.

Have not lost a birds in shipment since 1969,this was a partridge type bird that I shipped in July, should not have shipped game birds during the hot summer months.

All our fourty od species of game birds are in outside pens & does not hurt them a bit to be shipped during the cold winter months.

Most fault is with the shipper not using prper crates or cartons, in some species the cock moght pick on the hen if shipped in one cartons, in these species with ship in seperate compartments.

It sure would hurt a lot of people if they could not ship th e way they do at this time. Have raised game birds as a hoby for over firty years & if had to curtail would force a lot out of their hobbies of bussiness.

Game birds can stand more cold than heat. We do not ship during the months of May, June, July & August. Thank you. Please!

Sincerely yours

Frank M. Shymanski

333 west 52nd street / new york, n. y. 10019 / (212) 489-8060 / twx: 710-581- ,9

April 15, 1974

James F. Henry
Room A
Air Transport Assoc. of America
1709 New York Ave, N.W.
Washington, D.C.

Dear Mr. Henry,

Re: Establishment of Priority Air Cargo Service to Replace Air Express

Please leave Air Express system alone-- the entire broadcast industry needs the service that only Air Express can give-- from their years of experience and employees who understand our needs.

Thank you.

Sincerely,

American Pictronic Corp.

Mr. Milton Schwarz
President

MS/ms
CC: Paul McDonald-REA

333 west 52nd street / new york, n. y. 10019 / (212) 489-8060 / twx: 710-581-6499

April 15, 1974

G.J. Godbout
Air Transport Assoc. of America
Room A
1709 New York Ave, N.W.
Washington, D.C.

Dear Mr. Godbout,

Re: Establishment of Priority Air Cargo Service To Replace Air Express

Please leave Air Express system alone-- the entire broadcast industry needs the service that only Air Express can give-- from their years of experience and employees who understand our needs.

Thank you.

Sincerely,

American Pictronic Corp.

Mr. Milton Schwartz
President

MS/ms
CC: Paul McDonald-REA

Arvin
Consumer Products Division
Arvin Industries, Inc.
Columbus, Indiana 47201
(812) 372-7271

April 16, 1974

Mr. G. J. Godbout
Air Transportation Association
1709 New York Ave., N.W.
Washington, D.C. 20006

Dear Mr. Godbout:

On March 19, I wrote Mr. William B. Caldwell, Director, Bureau of Operating Rights of the Civil Aeronautics Board in support of maintaining REA Air Express as an airline priority service.

I received your telegram advising of the April 18 hearing to decide this proposal. Unfortunately, I cannot appear but would like to have you take into account Arvin's desire of continuing REA Air Express as an airline priority service.

Thank you for your consideration.

Sincerely,

R. B. Hyman
Manager-Distribution,
Elec. Housewares Div.

RBH/jam

BAIRD-WARD PRINTING COMPANY, INC.
P.O. Box 539 · Nashville, Tenn. 37202 · (615) 385-0460

April 18, 1974

Air Transport Association
1709 New York Avenue N/W
Washington, D.C. 20005

Dear Sir:

We would like to have the REA Air Express retain the priority air cargo service. We use the service, extensively, for movement of proofs, copy and plates to and from our customers. Under certain circumstances we have and will continue to use the air priority service that is offered by the air lines. However, if more than one carrier is involved this service is negated.

We find the REA air express highly satisfactory for the movement of small parcels and urge it to be continued.

Yours very truly,

BAIRD WARD PRINTING COMPANY

David W. Moody

David W. Moody
Traffic Manager

DWM/jb

Bayuk Cigars Inc.

NINTH STREET AND COLUMBIA AVENUE, PHILADELPHIA, PENNSYLVANIA 19122

April 18, 1974

G. J. Godbout
Air Transport Association of America
1709 New York Ave., N.W.
Washington, D.C. 20006

Please consider this letter as our protest to docket 26238. Would you kindly send me a copy of the minutes to the meeting being held April 18, 1974.

Bayuk Cigars Inc.

William F. Dahms

William F. Dahms
Director of Transportation

WFD:mh

Beltone THE BETTER WAY TO BETTER HEARING

April 17, 1974

Mr. J. J. Henry
Air Transport Assoc.
1709 New York Avenue, Northwest
Washington, D. C.

Dear Mr. Henry:

Within the weight range of the Air Express Package Service, we have found it to be quite satisfactory over the past twenty-five years.

Looking forward to a continuation of this record and service.

Cordially yours,

BELTONE ELECTRONICS CORPORATION

Allen Silver

A. Silver, Traffic Manager

AS:mjs

BIO-RAD Laboratories

[illegible] Avenue
[illegible] California 94804
[illegible] (415) 234-4130

March 22, 1974

Mr. William B. Caldwell
Director, Bureau of Operating Rights
Civil Aeronautics Board
Washington, D. C. 20428

Dear Sir:

My firm relies quite heavily on REA Air Express service to handle our air shipments of biological materials and printed matter. Our products require this consistent priority service and I feel there is a definite need for REA Air Express in this business. Therefore, I would like to participate in any future meeting pertaining to CAB Docket #26238, dated February 27, 1974, regarding the need for REA Air Express service. Please send me copies of future agenda, dates and locations of meetings pertaining to this matter.

Sincerely,

William E. Llewellyn
Traffic Manager

CC: Air Transport Assoc.
1709 New York Ave. N. W.
Washington, D. C. 20006

BROTHER INTERNATIONAL CORPORATION
EASTERN REGIONAL OFFICE
11500 ROOSEVELT BOULEVARD
PHILADELPHIA, PENNSYLVANIA 19116
TELEPHONE 215 677-[illegible]

April 16, 1974

to you, with love, from brother®
THE PEOPLE WHO UNDERSTAND YOUR NEEDS

AIR TRANSPORT ASSOCIATIONS
1709 New York Avenue
Washington, D.C. 20006

ATTN: G. J. Godbout

Dear Sir:

This refers to my letter of March 19.

Due to pressing business, I am unable to appear in person. However, I would like my letter of the 19th to be used in protest for any substitution of Air Express as it now stands.

Sincerely,

BROTHER INTERNATIONAL CORPORATION

Don O'Neill
Regional Branch Manager

DON/kb

CAS WALKER'S CASH STORES
GROCERIES AND MEATS
P. O. BOX 8090
KNOXVILLE, TENN. 37920
"KNOXVILLE, THE GATEWAY TO THE GREAT SMOKIES"

April 18, 1974

Air Transport
1709 New York Avenue, N.W.
Washington, D.C. 20006

Attention: Mr. G. J. Godbout

Re: Docket 26238 pertaining to discussions among participating airlines vs. R.E.A.Air Express

Gentlemen:

This letter is serving in lieu of my personal appearance as I am unable to attent this meeting because of prior committments.

We wish to re-emphasize our position in the support of R.E.A. Air Express services. This is the most satisfactory service we have found to handle live animals, which is our promary concern, protect the loading at origin and loading at transfer points, and with single billing for charges from origin to ultimate destination. This is a tremendous advantage in our accounting department.

It would be a disaster to the shipping public if R.E.A. Air Express should lose their priority servicewhich they are exercising so efficiently, and have been for many years.

I would appreciate being advised of any future discussions, and the items to be discussed at any future meetings.

Very truly yours,

Cas Walker

CW:gcm

COEN COMPANY Inc.
Combustion Engineers and Manufacturers Since 1912
1510 ROLLINS ROAD, BURLINGAME, CALIFORNIA 94010, TELEPHONE: 415-697-0440
TELEX: 03-4337 CABLE: COENBURNER TELETYPE: 910-376-3578

April 4, 1974

Bureau of Operating Rights
Civil Aeronautics Board
1825 Connecticut Avenue, North West
Washington, D.C. 20428

Attention: Mr. William B. Caldwell, Director

Dear Mr. Caldwell:

My name is Frances B. Aldana. I am Traffic Supervisor for Coen Co., Inc. a manufacturer of industrial burners. My business address is 1510 Rollins Rd., Burlingame, California 94010

It has come to our attention that REA Air Express will lose its priority status with the airlines in June of 1974. We also understand that in Docket 26238 the airlines have excluded participation of shippers in this matter. We, as shippers, will be affected by the outcome of any decision and because of this would like to make our situation known.

Coen Co. employs a staff of field service engineers throughout the United States. These service men require parts and hardware on a daily basis and, in order to maintain their flexible schedules and serve our customers effectively, Coen Co. uses REA Air Express extensively to transport this equipment to them from Burlingame, California.

Due to our dependence on REA Air Express to trace and deliver this much needed equipment to our service men, at reasonable rates and within short time periods, we would like to raise some questions that arise if REA Air Express loses its present standing:

1. Will there be services available that provide a single invoicing under one waybill for shipments interlined with other airlines?
2. Will free pick up and delivery services be offered for interlining with air flights?
3. Will a network of tracing services be available from a single agent?
4. Will there be an agency for handling claims on damages or loss of shipments handled by several airlines?
5. Will there be an agency available to interline flights to continue to provide effective flow of freight?

6. Will transit time be extended due to lack of the "priority" status which REA Air Express now holds?

7. Can we expect increased rates?

If hearings on this question do become open to shippers we would very much appreciate being notified of their schedules.

Thanking you in advance for considering our position on this matter.

Very truly yours,

Coen Company, Inc.

Frances B. Aldana

Frances B. Aldana
Traffic Supervisor

FBA/jmm

cc: Air Transport Association
1700 New York Avenue, North West
Washington, D.C. 20006

G.D. Allen
Assistant Mfg. Mgr.
Coen Co., Inc.

Traffic File

cc: M. Jackson

March 14, 1974

Mr. William B. Caldwell
Director of Bureau of Operations
Bureau of Operating Rights
Civil Aeronautics Board
1825 Connecticut Avenue, N. W.
Washington, D. C. 20428

Dear Mr. Caldwell,

We refer to Civil Aeronautics Board Docket no. 26238 regarding REA Air Express priority service.

It has been called to our attention that the above mentioned docket may possibly eliminate the present priority service available via REA Air Express. We feel that the elimination of this service would greatly hurt the Cowden Company, since no other mode of air transportation can offer or equal the priority service rendered by REA. All shippers who deal in air shipments are familiar with the problems encountered when shipping via regular airline air freight or via air freight forwarders. A few of these problems are: multiple billings for pick ups, deliveries and the air freight haul, dependence upon airlines and ACI Agents for service, shipments sitting at airport due to missed flight, combination of rates due to airlines not publishing thru rates etc. These problems are eliminated when using Air Express, due to their present priority service, single line billing which included pick up and delivery, off line delivery service and their handling of all types of shipments.

Mr. Caldwell, it should be remembered that the shipping public is paying a premium when they use air service for freight shipments and priority service should be available.

Mr. William B. Caldwell

We feel that the hearing of Docket no. 26238 should be opened to the shipping public, but if it is not we feel all shippers should be given the opportunity to express their views concerning each item on the agenda. In view of this, we would appreciate being notified as to the agenda and the actual hearing date at least seven days in advance of the date.

Trusting you will advise us in this matter, we remain

Very truly yours,

COWDEN MANUFACTURING COMPANY

Thomas J. Price, III
Director of Transportation

TJP/mg

March 28, 1974

Mr. Wm. B. Caldwell
Director Bureau of Operating Rights
Civil Aeronautics Board
1825 Connecticut Ave., N.W.
Washington, D.C. 20488

Dear Sir:

I am writing relative to C.A.B. Docket 26238 dated 2/27/74 ordering the Airlines and Air Freight Forwarders to discuss the developement of their own air priority service.

As Assistant Transportation Manager of Crouse Hinds Co. and a consistent user of R.E.A. Air Express service we are interested in the program and would, therefore, appreciate your placing our name on your mailing list giving time, place and dates of meetings.

Your cooperation in this regard will be greatly appreciated.

Sincerely,
Crouse Hinds Co.

Paul G. Tharp
Asst. Transportation Mgr.

cc: Air Transport Association
1700 New York Avenue
Washington, D.C. 20006

File

Crown INTERNATIONAL

1718 W. MISHAWAKA ROAD, ELKHART, INDIANA, 46514
P. O. BOX 1000, TELEPHONE 219/523-4919

April 16, 1974

Mr. G. J. Godbout
Air Transportation Association
1709 New York Avenue N.W.
Washington, D. C. 20006

Dear Mr. Godbout:

I would like to take this opportunity to express my sincere desire that REA Air Express Priority Service be continued. There have been many times that this service has been of tremendous benefit to our corporation. We deal in products of necessity and this priority service has enabled us to satisfy our customers' needs better than any other comparable services. Please keep these thoughts in mind as this question is discussed.

Sincerely,

Steven Peer

Steve Peer

SP:gb



CUMBERLAND VIEW FARMS
ROUTE 3 - CLINTON, TENNESSEE

J. C. KILE, JR., D.V.M.

TELEPHONE 457-9414

April 17, 1974

Mr. G. J. Godbout
Air Transport Association
1709 New York Avenue, N.W.
Washington, D. C. 20006

Dear Mr. Godbout:

Due to previous commitments it will not be possible for me to attend the Discussion Meeting re establishment of priority air cargo service to replace air express that will begin April 18.

The business we operate consists of shipments of live animals which play a very important role in medical and biological research both in all areas of USA and foreign countries. We are one of the largest suppliers of special strains of inbred mice being used in private, State and Federal research institutions, which research is extremely important to the future health and welfare of the people of the country.

We utilize REA Air Express services exclusively because of their efficiency in handling and their priority of loading at interline points, and the delivery to off-line points at destination. Should REA Air Express lose this priority it would jeopardize not only our business but the proper functioning of many medical and research institutions as well.

Please present this information to the Board in my behalf.

Yours sincerely,

J. C. Kile

JCK:md

dmk FILMS, INC.
ideas that move
3815 CLEGHORN AVENUE
NASHVILLE, TENNESSEE 37215
Phone (615) 383-3044
TWX: 810-371-1624

April 16, 1974

G. J. Godbout
Air Transportation Association
1709 New York Avenue N.W.
Washington, D. C. 20006

Dear Mr. Godbout:

I appreciate your notification to me as requested, concerning the meeting between the airlines and REA Air Express.

Because of business pressures at this time I will be unable to attend this meeting as planned, but I would like to take this opportunity to reiterate the importance to our company that REA Air Express be able to have the air priority. We are a film company, and shipment of television shows and other films that must meet a specific schedule requires a mode of transportation that can be relied upon to cover long distances in the shortest possible time, with the least expense possible. A lost few hours can hurt us both monetarily and in the eyes of our customers as a reliable source for their needs.

Sincerely,

Belva Cunningham

Belva Cunningham
Distribution

/bc

FAYETTE B. DOW (1881-1962)
HORACE L. LOHNES (1897-1954)

FRED W. ALBERTSON
THOMAS W. WILSON
WILLIAM P. SIMS
THOMAS H. WALL
EARL R. STANLEY
JOHN A. RAFTER
RICHARD L. BRAUNSTEIN
JOHN D. MATTHEWS
CHARLES J. McKERNS
B. DWIGHT PERRY
DANIEL H. REDMOND
L. ADRIAN ROBERTS
DANIEL W. TOOHEY
BERNARD J. LONG, JR.

CHARLES H. HELEIN
ALAN C. CAMPBELL
RICHARD F. SWIFT
PATRICK H. ALLEN
RALPH W. HARDY, JR.
JAMES D. MONAHAN
JAMES A. TREANOR III
SUZANNE MEYER
J. MICHAEL HINES
RICHARD D. MARKS
JOHN I. DAVIS
ARNOLD P. LUTZKER
LEONARD J. BAXT
DONALD D. WEAR, JR.

DOW, LOHNES & ALBERTSON
1225 CONNECTICUT AVENUE
WASHINGTON, D.C.
20036

BERNARD J. LONG
OF COUNSEL

TELEPHONE
(202) 659-8200
CABLE "DOWLOHNES"

April 17, 1974

Air Transport Association
1709 New York Avenue, N.W.
Washington, D. C. 20006

Attention: J. G. Godbout

Dear Mr. Godbout:

On behalf of WHEC-TV we wish to support recision of the order restricting the first boarding rights heretofore enjoyed by REA.

WHEC-TV is a television station licensed to Rochester, New York. Approximately 95% of the film used on the station is shipped to Rochester by REA. The energy crisis has recently brought about a reduction in the number of flights serving Rochester. This limits the space available to transport cargo to and from Rochester each day.

We need not elaborate on the fact that the availability of film is crucial to the television industry. Further, as program schedules are fixed in advance, it is extremely important that film arrive in time to meet them. The priority which REA enjoyed assured dependability in the shipment of film. We fear that revocation of these rights will inure to the detriment not only of WHEC-TV but of all television stations in similar markets.

Very truly yours,

B. Dwight Perry

Attorney for WHEC-TV

E-SYSTEMS INC.

MEMCOR DIVISION
41 East Park Drive
Huntington, Indiana 46750
(219) 356-4300

March 14, 1974

William Caldwell, Director
Bureau of Operating Rights
Civil Aeronautics Board
1825 Connecticut Avenue N. W.
Washington, D. C. 20428

Subject: Civil Aeronautics Board order of February 27, 1974
DOCKET 26238

Dear Sir:

My name is Ed Ahlering and I am the Traffic Coordinator of E-SYSTEMS, MEMCOR DIVISION, 50 Frederick Street, Huntington, Indiana. In this capacity I am responsible for directing and controlling our transportation requirements. My Company is in the ELECTRONIC BUSINESS. We rely heavily on REA AIR EXPRESS. Last year, for example, we used this service for the movement of approximately 200 and over shipments of ELECTRONIC PARTS from 450 and over forwarding points to 500 and over destination cities.

In 1974, we intend to continue to use REA AIR EXPRESS for the movement of our business and anticipate that we will forward a minimum of 3000 and over shipments during the course of the year.

REA AIR EXPRESS is essential to our transportation needs. Our business requires the consistently expeditious service which REA AIR EXPRESS priority has been providing. We have found no other service which will meet our needs. I have used NTC AS WELL AS OTHER AIR FREIGHT FORWARDERS and found their services to be too slow and inconsistent. As an example, NTC AIR FREIGHT FORWARDER service takes approximately 3 to 4 days between Los Angeles, Calif., and Huntington, Indiana. REA AIR EXPRESS service consistently provides us with 1½ to 2 days service between these points. (PLEASE SEE SPECIAL WRITEUP ATTACHED).

In addition, only REA AIR EXPRESS carries coin silver (ARMED SURVEILANCE). We have offered such shipments to EVERY AIR FREIGHT and they have refused.

Finally, only REA AIR EXPRESS offers the wide coverage that we require. For instance, we have shipped to Bluefield, West Virginia BY REA AIR EXPRESS--we have offered the same type of shipments to other AIR CARRIERS between these points which were refused. THE AIR FREIGHT FORWARDERS in general do not have the geographic coverage necessary for our needs.

I am in full support of REA AIR EXPRESS'S PRIORITY, and would appreciate being informed by your office as to the agenda, dates, and items being discussed for the express purpose of personally appearing in REA AIR EXPRESS'S behalf, or at least by submitting letter of support.

CONTINUED AND COMPLETED ON PAGE TWO

E-SYSTEMS INC.

MEMCOR DIVISION
41 East Park Drive
Huntington, Indiana 46750
(219) 356-4300

In sum, only REA AIR EXPRESS has the requisite priority, commodity coverage, and geographic coverage to meet our needs. I also support REA AIR EXPRESS'S application for AIR FREIGHT FORWARDING AUTHORITY, because of its broad geographical coverage.

Very truly yours,

SIGNATURE Ed Ahlering
ED AHLERING

TITLE TRAFFIC COORDINATOR

SIGNATURE Jim Hall
JIM HALL

TITLE TRAFFIC MANAGER

CC: Air Transport Associatio.
1709 New York Avenue, N. W.
Washington, D. C. 20006

E-SYSTEMS INC.

MEMCOR DIVISION
41 East Park Drive
Huntington, Indiana 46750
(219) 356-4300

March 14, 1974

The writer (Ed Ahlering) has had considerable difficulty with WTC (AIR FREIGHT FORWARDER) in acquiring correct coding for Huntington, Indiana which is (FWA) Ft. Wayne, Indiana. They have been notified at various times to code Huntington, Indiana (FWA). Instead, they code Huntington, Indiana (IND) Indianapolis, Indiana. As you know. the closest airport is Ft. Wayne, and not Indianapolis for Huntington, Indiana. Now, when they code Huntington, Indiana (IND) Indianapolis, Indiana on arrival THEY ALWAYS TURN THE SHIPMENT OVER TO A TRUCK LINE FOR DELIVERY TO E-SYSTEMS MEMCOR DIVISION HUNTINGTON, INDIANA. This only hampers our operation to say the least. At times, WTC has shut our line down.

Now, this would never happen if REA AIR EXPRESS handled. This would be delivered to Huntington, Indiana--no charge for PICKUP OR DELIVERY, whereas AIR FREIGHT FORWARDERS CHARGE FOR PICKUP AND DELIVERY.

EDUCATIONAL TESTING SERVICE PRINCETON, N.J. 08540

Area Code 609
921-9000
CABLE-EDUCTESTSVC

March 14, 1974

Mr. William B. Caldwell
Director of Bureau of Operating Rights
Civil Aeronautics Board
1825 Connecticut Ave., N. W.
Washington, D. C. 20428

Dear Mr. Caldwell:

As a daily user of Air Express, I am interested in C.A.B. Docket #26238 and would like to be represented at these meetings, either in person or by letter.

We engage in research and other activities in the field of educational testing and guidance and have been shipping by Air Express for many years in order to meet the delivery requirements of our administration dates. As our shipments are to schools and colleges, many are off-line points and Air Express is very important to us in delivering our shipments to destinations without any breach of security of our packages.

The possibility that Air Express may be discontinued is of great concern to us, as we now have one carrier that picks up shipments, delivers, obtains a signature for delivery and has one of the fastest and reliable tracing methods for our needs. If these services were distributed to separate carriers for pick up and delivery, who would perform the required tracing of delayed shipments and furnish proof of delivery? Will we receive invoices from two or three separate carriers and who will be held responsible for any breach of security of any of our shipments? These are some of the questions that I would like to have answered, as they greatly concern our costs and distribution.

Sincerely yours,

Michael M. Stukane

Michael M. Stukane
Head, Distribution Center
PAMD Building
1440 Lower Ferry Road
Trenton, New Jersey 08618

/lp

cc: Air Transport Association ✓
1709 New York Ave.
Washington, D. C. 20006

ELI LILLY AND COMPANY
INDIANAPOLIS, INDIANA 46206 · TELEPHONE (317) 636-2211

April 17, 1974

AIR MAIL - SPECIAL DELIVERY

Mr. G. J. Godbout
Air Transportation Association
1709 N. Y. Avenue, N.W.
Washington, D. C. 20006

Dear Mr. Godbout:

On behalf of Eli Lilly and Company, I would like to indicate to you that we are interested in having REA continue their Air Express Service with existing priority status on flight loadings.

We have been significant users of this kind of service for our products in the past, and we feel the need for continued use of this service for delivery of our life-giving drugs and medicines.

I have so indicated our interest by submitting a statement to the Civil Aeronautics Board in early March.

We would appreciate your taking this statement of interest forward.

Very truly yours,

ELI LILLY AND COMPANY

V. P. Welage
Corporate Traffic Manager

VPW:ab

EUCLID, INC.

[redacted]
22221 ST. CLAIR AVENUE • CLEVELAND, OHIO 44117

TELEPHONE (216) 383-5030
CABLE ADDRESS, EUCINC

April 16, 1974

Air Transport Association
1709 New York Avenue
Washington, D.C. 20006

Att: Mr. G. J. Godbout

Dear Mr. Godbout:

I am sorry I am unable to attend the April 18 meeting in Washington D.C. because of short notice. However, I support the Air Express priority.

Very truly yours,

N. C. Metz
Traffic Manager

Fabulous Felines, Inc.
133 Lexington Ave.
N.Y.C., N.Y. 10016

March 15, 1974

Mr. William B. Caldwell
Director of Operating Rights
Civil Aeronautics Board
1825 Connecticut Ave., N.W.
Washington, D.C. 20428

Re: CAB - Order Docket #26238

Dear Mr. Caldwell:

I am writing in reference to Docket #26238.

Since the eventual decision on this matter drastically affects our business, and many other businesses, small and large, I feel we should have a right to participate in the hearings and that our interests should be represented as well as those of the airlines.

Therefore, since I am unable to appear in person, I would like this letter entered into the records.

In our 15 years in business we have always depended on REA and we want the Board to be aware that we urge the continuance of Air Express Priority Service as we know it today. Without this type of service our business would be crippled and our survival threatened.

May I also mention that their COD service is uniquely helpful to us and many, many other small businesses.

I would appreciate it if you would keep me informed of all happenings in this matter - dates, discussions, etc.

Sincerely,

Eileen J. Greer
President

EJG:rr Mr. G. J. Godbout

cc: Air Transport Association
1709 New York Avenue
Washington, D.C. 20006

cc: Mr. Tom Leonard
REA Air Express
400 Delancy Street

FIAT-ALLIS
CONSTRUCTION MACHINERY, INC.
245 East North Avenue, Carol Stream, Illinois 60187; (312) 653-1000

April 17, 1974

Mr. G. J. Godbout
Air Transport Association
1709 New York Avenue N. W.
Washington, D. C. 20006

Subject: CAB Docket #26238

Dear Mr. Godbout:

Fiat-Allis Construction Machinery, Inc. is a recently formed joint venture company between Allis-Chalmers Corporation and Fiat of Italy that manufactures, sells, distributes, and services construction machinery equipment and repair parts worldwide.

Within North America, our Central Parts Operation headquarters are located at Carol Stream, Illinois near Chicago, with regional parts depots in Atlanta, Georgia; Dallas, Texas; East Brunswick, New Jersey; Hayward, California; and Toronto, Ontario, Canada. From these facilities, we serve in addition to Fiat-Allis, several divisions of Allis-Chalmers Corporation on a contract basis. In total, we are shipping daily to over nine hundred (900) dealers' and customer locations throughout the United States and Canada. Many of these outlets are located in small out-of-the-way towns, and service via REA Air Express in 95% of the shipments has been of an exemplary nature. In many cases, REA Air Express is the only available priority service to certain of these locations. This priority service is also required for inbound material shipments of an emergency nature for our production facilities at Springfield and Deerfield, Illinois, as well as the Central Parts Operation at Carol Stream, Illinois.

We make shipments via direct airlines and air freight forwarders, but no service provides the door-to-door service on as economical basis as does REA Air Express. Our dealers require an expedited priority service which is economical, provides off-line delivery service, and interlines with multiple air carriers on a single air bill, and provides prompt payment of COD monies. The Fiat-Allis Construction Machinery, Inc. Central Parts Operation averages over two thousand three hundred (2,300) individual shipments, totalling over forty one thousand (41,000) pounds per month from our United States locations. We therefore feel compelled to support the REA Air Express Service. We do not feel that proposals presented to date represent viable alternatives. At a minimum,

Mr. G. J. Godbout
Air Transport Association
April 17, 1974
Page Two

we require a comparable airline expedited priority service to the over 500 airports and 22,000 communities serviced by REA Air Express that will provide the economical door-to-door service including off-line delivery and interlining on a single air bill as does REA Air Express currently.

Yours truly,

FIAT-ALLIS
CONSTRUCTION MACHINERY, INC.

V. C. Kluender
Manager, Traffic
Central Parts Operation

ef

cc: Messrs. K. E. Glass
W. D. White
W. C. Eggleston

F I L M W A Y S
SYNDICATION OPERATIONS

A DIVISION OF FILMWAYS TV PRODUCTIONS, INC.
1161 NORTH HIGHLAND AVENUE • HOLLYWOOD, CALIFORNIA 90038
TELEPHONE (213) 464-3171 TWX 910-321-2431 CARGO SERVICES-ATC

EDWARD K. COOPER
DIRECTOR

April 15, 1974

Mr. G.J. Godbout
Director of Cargo Service
Air Transport Association of America
1709 New York Avenue, NW
Washington, D.C. 20006

Dear Mr. Godbout:

Filmways is deeply concerned that the proposed June 5 dissolution of current Air Express priority service will drastically hamper the dissemination of television programs.

The syndication of broadcast material is dependent upon a high-speed, economical, reliable means of distribution with the ability to reach every area of the country.

We urge that the ATA permit REA to continue its present priority service until such time as an equally comprehensive service can be substituted.

Respectfully,

Ed K Cooper

EC/ks

cc: Walter Schier

GM

TREVOSE, PA.
APRIL 17, 1974

MR. C.J. GODBOUT
%AIR TRANSP. ASSOC
1709 NEW YORK AVE N.W.
WASHINGTON, D.C. 20006

DEAR SIR:

PLEASE CONSIDER THIS LETTER AS MY DEPOSITION IN PROTEST TO DOCKET 26238.

I FEEL THAT NO ALTERNATE SERVICE CAN FILL THE PLACE OF THIS UNIQUE SYSTERM.

I WOULD APPRECIATE RECEIVING A COPY OF THE MINUTES OF THIS MEETING VIA U.S. MAIL.

SINCERELY YOURS

Edward J. McCann

TRAFFIC MANAGER

GENERAL TIRE

THE GENERAL TIRE & RUBBER COMPANY
INDUSTRIAL PRODUCTS DIVISION • WABASH, INDIANA

APRIL 16, 1974

C. J. GODBOUT
AIR TRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVENUE, N. W.
WASHINGTON D. C. 20428

REFERENCE: CIVIL AERONAUTICS BOARD ORDER 2-27-74
DOCKET 26238

DEAR SIR:

WE WERE ADVISED BY TELEGRAM THAT THE DISCUSSION MEETING CONCERNING ESTABLISHMENT OF PRIORITY AIR CARGO SERVICE TO REPLACE AIR EXPRESS WILL BEGIN APRIL 18, 1974.

WE WILL NOT BE ABLE TO ATTEND THE DISCUSSIONS, HOWEVER, I WOULD LIKE TO MAKE THE FOLLOWING COMMENTS IN SUPPORT OF RETAINING R E A AIR EXPRESS SERVICE.

WE HAVE USED R E A AIR EXPRESS SERVICE ON EMERGENCY SHIPMENTS FOR OUR CUSTOMERS TO ENABLE THEM TO MEET PRODUCTION SCHEDULES AND ALSO TO HELP OUR PLANT IN CRITICAL SITUATIONS ON INBOUND MATERIAL AND MAINTENANCE ITEMS.

THEIR ABILITY TO LOAD ON A PRIORITY BASIS AND FLEXIBILITY OF ROUTING VIA MULTIPLE LINES TO AFFECT QUICKEST POSSIBLE DELIVERY HAS SAVED US MANY TIMES.

WE THANK YOU FOR THIS OPPORTUNITY TO SUBMIT OUR FEELINGS CONCERNING THIS MATTER AND WOULD APPRECIATE YOUR KEEPING US INFORMED OF FUTURE DEVELOPMENTS.

VERY TRULY YOURS,

THE GENERAL TIRE & RUBBER COMPANY

Frank M. Beuoy

FRANK M. BEUOY
TRAFFIC MANAGER

FMB:DA

ALL AGREEMENTS CONTINGENT ON STRIKES, ACCIDENTS, OR DELAYS BEYOND OUR CONTROL. QUOTATIONS AND PRICES SUBJECT TO CHANGE WITHOUT NOTICE

Gibson

GIBSON GREETING CARDS, INC. AMBERLEY, CINCINNATI, OHIO 45237
CABLE ADDRESS: GIBSON

April 16, 1974

Mr. G. J. Godbout
Air Transport Association
1709 New York Avenue, N.W.
Washington, D.C. 20006

Subject: Priority Air Cargo Service to Replace Air Express

Dear Mr. Godbout:

We will not be able to attend the April 18, 1974 discussion meeting covering the above subject.

On the other hand, attached is a copy of our March 15, 1974 letter to Mr. William B. Caldwell, Director of Bureau of Operations, Bureau of Operating Rights, Civil Aeronautics Board reaffirming our support for Air Express Priority Service.

Sincerely,

GIBSON GREETING CARDS, INC.

Jack La Eace

Jack La Eace
Assistant Traffic Manager

Attachment

Airmail Special Delivery

Gibson

A DIVISION OF GIBSON GREETING CARDS, INC.
CINCINNATI, OHIO 45237
CABLE ADDRESS - GIBSON

March 15, 1974

Mr. William B. Caldwell
Director of Bureau of Operations
Bureau of Operating Rights
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20428

Re: Civil Aeronautics Board Docket #26238
REA Express Priority Service

Gentlemen:

My name is Luther Strickland and I am the Manager of Transportation for Gibson Greeting Cards, Inc. of 2100 Section Road, Cincinnati, Ohio 45237. I have been employed by said corporation for over 26 years, of which 21 years, I have been associated with the Traffic Department in various positions.

Among my responsibilities, I formulate and implement routings for our distribution center at Berea, Kentucky and our manufacturing plant at Cincinnati, Ohio. Commodities shipped from these locations comprise greeting cards, artwork, candles, gift wrappings, books, plates, napkins and other allied paper products to multi-thousands of dealers. Additionally, thousands of shipments comprising samples of our product lines are sent to our sales representatives.

Due to competitive sources' geographical advantages with some dealers and emergency type orders, it is advantageous for us to utilize air routings. We have experienced declining transit time service with the airlines in recent months and this probably could be attributed to the Energy Crisis and the cancellation of many airlines' flights. Such delays have contributed to loss of sales and customer aggravation. As the result of such inconsistencies in service, we are utilizing Air Express to a greater degree than previously.

Their "Priority Service" has achieved or surpassed the standards we establish for air routings and has relieved us of the anxiety of our traffic being "bumped" in transit and follow-ups with inter-line carriers (both the airlines involved and their surface carrier agent). It is also not necessary to check on the various airlines' tariff restrictions as to shipments of Artwork which, at times, is a high value item.

It is our contention we must support the Express Priority Service as it is needed and feel the shipping public's interest would best be served if they are allowed to present their views in the meeting covering this docket.

If shipper participation is allowed, please forward a copy of the agenda and items to be discussed as I or an authorized traffic representative of our corporation will attend the meeting.

Sincerely

GIBSON GREETING CARDS, INC.

Luther Strickland
Manager of Transportation

LS:nl

Airmail Special Delivery

CC: (2) Air Transport Association
1709 New York Avenue
Washington, D.C. 20006

Gordon Yoder, Inc.
FORMERLY
PROFESSIONAL CINE PRODUCTS, INC.
P. O. BOX 20296
2840 REWARD LANE
DALLAS, TEXAS 75220
(Area Code 214) 357-3045 or 357-2725

MOTION PICTURE EQUIPMENT
SALES, SERVICE
MODIFICATIONS
CAMERA REPAIRS
ZOOM LENS REPAIRS

April 16, 1974

Air Transport Assiciation of America
1709 New York Ave. N.W.
Washington, D.C.

Attn; G. J. Godbout

Dear Mr. Godbout;

We are writing you concerning the hearing to be held the 18th of April with regards to replacing Air Express service with priority air cargo service.

We are very much opposed to this move and it would affect our small business badly. We depend on Air Express to handle most of our package express and we would suffer if they were not able to serve us in the way they do now.

Please consider our plea and do not grant priority air cargo service to replace Air Express.

Thank you very much,

Gordon Yoder

Gordon Yoder, President

GY/ss

CARGO SERVICES-ATC
RECEIVED
APR 18 1974
WASHINGTON, D. C.

INTERNATIONAL

770 PAGE STREET • BERKELEY, CALIFORNIA 94710 • U.S.A. • TELEPHONE (415) 525-5801
CABLE: "HAWSCO" BERKELEY, CALIFORNIA • TELEX 336-358

April 16, 1974

Mr. William B. Caldwell
Director, Bureau of Operating Rights
Civil Aeronautics Board
Washington, D. C. 20428

Dear Mr. Caldwell:

My firm uses REA Air Express to handle many of our priority air shipments. I feel that their air express service is an asset to our business because of their broad service air and good delivery times. Therefore, I would like to see this service continue and wish to participate in any future meetings pertaining to CAB Docket #26238, dated February 27, 1974, regarding the need for REA Air Express service. Please send me copies of future agenda, dates and locations of meetings pertaining to this matter.

Sincerely,

Esteban S. Diaz
Vice President
Haws International

cc: Air Transport Assoc.
2709 New York Ave., NW
Washington, D. C. 20006

HOLTZMAN COMPANY
P.O. BOX 4068 MADISON, WISCONSIN 53711
1-608-271-6441

April 17, '74

Dear Mr G.J. Godbout,

I apologize for not attending the hearings concerning the possibility of replacing REA air Express service with priority air cargo service.

Holtzman Company ships albino rats for laboratory use to 50 states and 7 foreign countries on a regular basis. More than 98% of our customers and 98% of our interstate sales in numbers of rats are delivered to the consignee's premises. Among the 98% is NIH, Food & Drug Admin, Atomic Energy Comm, Fort Sam Houston, Tex, and a plethora of Veterans Administration Hospitals. The needs of these customers as well as those of dozens of Universities will best be served by a delivery service to their doors that is the same as the service that expedites the shipments in the air.

Sincerely,
Jos Holtzman
President

ORCHARD 0-1515

HUGHES AIRCRAFT COMPANY

INTERNATIONAL AIRPORT STATION
POST OFFICE BOX 90515
LOS ANGELES, CALIFORNIA 90009

April 16, 1974

G. J. Godbout
Director, Cargo Service
Air Transport Association
1709 New York Avenue, NW
Washington, DC 20006

Reference: CAB Docket 26238

Gentlemen:

The following is submitted to point up the criticality of a priority air cargo service being discussed in referenced docket:

Hughes Aircraft Company employs in excess of 35,000 employees in advanced electronics associated with the fields of space and communications, missiles and avionics, air defense and command and control, industrial electronics and basic research activities.

In 1973, the Company's annual sales exceeded $1 billion. This wide range of capability has an inherent expanse of logistical requirements not the least of which is the need for a priority air cargo service.

In its operations, the Company has in excess of 6,000 suppliers located throughout the 48 contiguous states providing component material to the Company's major California facilities at Canoga Park, Culver City, El Segundo, Fullerton, Los Angeles, Malibu, Newport Beach, Oceanside and Torrance and its manufacturing plant in Tucson, Arizona. Hundreds of shipments per day are received from these suppliers in accordance with routings placed on Company purchase orders by Company buyers using a Traffic-issuance routing guide. These shipments are feeding production lines and twenty-four hour traceability is a requisite making use of the postal service minimal.

Of particular concern to Hughes Aircraft Company in any planned priority air cargo service, is the movement to metropolitan airports from off-line points. While it is true that air freight forwarders have capabilities in some of the major cities, there are many areas from which Hughes Aircraft Company shipments originate where no air cargo representation exists and, in fact, justification for acquisition of facilities would be difficult from a cost standpoint.

It would appear that a prime requisite to establishment of priority air cargo service would be an expansion of the pickup authority of Air Transport Association's contract truckers to an unlimited area to enable shippers in the above cases to use the direct air carriers in more outlying points and trace thru the direct air carrier.

Outbound priority air freight shipments which move under Signature Service (Rule 82) to meet Department of Defense security requirements are also restricted to the size limitations of the aircraft. Problems occur when the cargo reaches a point short of destination where the aircraft will not accommodate the Signature Service item. For example; Hughes Aircraft Company may ship an item for Fargo, North Dakota as far as Minneapolis by an all cargo flight which must move surface to Fargo as it is too large for the passenger aircraft between Minneapolis and Fargo. Provisions in the Signature Service item in any Priority Air Cargo tariff must be made for tender of such shipments short of destination to surface carriers providing such service in their tariffs.

Hughes Aircraft Company which moved 70% of its shipments in 1973 via commercial air freight, air freight forwarder and air express is a proponent of Air Express service in its present configuration as it is an integral part of the transportation requirements of the Company. If it is determined, however, that such service will no longer be available, Hughes Aircraft Company would like to assist in a manner which will assure an orderly transition without serious service interruption.

HUGHES AIRCRAFT COMPANY

J. J. Rice
Traffic Manager, Field Service Division

JJR:dl

THE JACKSON LABORATORY / BAR HARBOR, MAINE 04609



PRODUCTION DEPARTMENT
Tel. (207) 288-5037
Cable Address JAXLAB

23 April 1974

Mr. C. J. Godbout
Air Transport Association of America
1709 New York Avenue, N.W.
Washington, D. C. 20006

Subj.: C.A.B. Docket Number 26238 dated 27 February 1974

Dear Mr. Godbout:

Thank you for your prompt reply to our letter dated 14 March 1974 and subsequent telegram announcing a meeting to be held on 18 April to discuss the establishment of priority air cargo service to replace air express. Unfortunately we were unable to attend this meeting and telegraphed you to this effect on 17 April.

We have pointed out in earlier correspondence that the Jackson Laboratory, in addition to its primary function as a biomedical research institution, produces and distributes two million genetically defined laboratory mice and rabbits annually to the world wide biomedical research community. It is vitally important that laboratory animals be transported from the breeder to the research worker's laboratory as rapidly as possible.

For the past 45 years the Laboratory has used the REA Express system almost exclusively. REA is a full service door to door transportation system in that the shipment travels on one unified waybill with centralized responsibility.

If the airline industry establishes their own priority air cargo service to replace REA Express, the following advantages now enjoyed by the shipper may be lost.

1. REA provides door-to-door pick up and delivery under the responsibility on one carrier.

2. REA uses the services of many airlines and relieves the shipper of the need to reserve space on a specific airline.

3. REA forwards shipments to distant points off the major airline routes.

4. REA has facilities for holding shipments of laboratory animals prior to shipment or delivery.

5. REA presents a single waybill to the shipper on the day of shipment.

Our limited experience with the airline air freight industry thus far indicates that they do not now provide the complete service that REA Express does. Futhermore, because of our relatively isolated geographic location, we do do not have the advantage of being able to deal with several different airlines at a major airport. The nearest airport served by a major airline is Bangor International and it is serviced only by Delta Airlines.

We respectfully request that you send us copies of agenda prior to the meetings and the minutes of all meetings concerning C.A.B. Docket Number 26238, if they are available.

Sincerely yours,

John L. Dorey
Manager
Production

JLD/pc

The Joseph & Feiss Co.

CRICKETEER

P. O. Box 5968 • Cleveland, Ohio 44101
Phone: (216) 961-6000

April 17, 1974

Mr. G. J. Godbout
Air Transport Association
1709 New York Avenue, N. W.
Washington, D. C. 20006

Dear Mr. Godbout:

Due to the short notification of scheduled meeting in Washington regarding CAB Docket Number 26238, I will not be able to attend in person. However, I do want to re-state my active interest in seeing REA Air Express Priority Service continued in its present form and definitely believe no other single carrier could provide the nationwide coverage this service offers.

Yours truly,

Steve Marlowe

Steve Marlowe
General Traffic Manager
Joseph & Feiss Company

kmart enterprises, inc.
subsidiary of s. s. kresge company
automotive · gasoline · sporting goods

April 16, 1974

Mr. G. J. Godbout, A.T.A.
Airport Association of America
1709 New York Avenue, N.W.
Washington, D.C.

Dear Mr. Godbout:

I am very sorry but due to short notice I am going to be out of town and cannot appear as a witness. However, we do support REA Air Express Priority Service and hope to see it remain in operation.

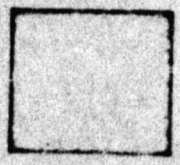
Very truly yours,

Kmart Enterprises, Inc.

J. Moore, Traffic Manager

JM:sk

3000 ... 14 mile road · troy, oak, michigan 48073 · 313-549-8400



April 23, 1974

Mr. Saltsman
Civil Aeronautics Board
1825 Connecticut Avenue N.W.
Washington, D.C. 20428

Dear Mr. Saltsman:

This is in regard to our recent telephone conversation concerning the Air Priority Service Case, CAB Docket 26238. Although the date for submitting support letters for reconsideration of this docket has expired, I respectfully request that you consider the attached verified statement supporting the continuation of the Air Priority Service by REA Air Express, five (5) copies are enclosed for your use.

Best regards,

Gerald L. LePage
General Transportation Department

GLL:djl

cc: Mr. G. J. Godbout ✓
Director of Cargo Service
Air Transport Association
1709 New York Avenue N.W.
Washington, D.C. 20006

Mr. T. S. Lepper
Mr. W. W. Rhoton, Jr.
Mr. O. W. Wieggel

BEFORE THE

CIVIL AERONAUTICS BOARD

VERIFIED STATEMENT

BY

GERALD L. LePAGE

IN SUPPORT OF RECONSIDERATION

OF CAB'S DECISION TO TERMINATE

REA AIR EXPRESS SERVICE

* * *

My name is Gerald L. LePage. I am an employee of the General Transportation Department of Eastman Kodak Company, 343 State Street, Rochester, New York. One of my principal duties is the responsibility for arranging transportation services for film and prints and related items for the Kodak Processing Laboratories.

Eastman Kodak Company requests reconsideration by the Civil Aeronautics Board in the matter of termination of air express priority service in CAB Docket 26238. We are vitally concerned about this case with the probable loss of the air priority system by REA Air Express. REA Air Express has always provided Eastman Kodak Company with prompt professional service at a reasonable cost. Any substitute priority service would probably be more expensive and take much time to attain the same efficiency as REA Air Express.

The most important benefit of REA Air Express to Eastman Kodak Company is in our Color Print and Processing Area where approximately 500 air shipments both Inbound and Outbound per week must arrive the same day shipped or early the following morning. Our production schedules are geared to this air priority service. Also, of major importance, is their system of tracking shipments, interchange service between airlines with the air priority still being maintained, and the extensive national coverage it encompasses.

The loss of REA Air priority would not only affect our production schedules but would also create a hardship to dealers using Kodak film processing who depend on this routine to provide prompt service to their customers.

Sincerely,

EASTMAN KODAK COMPANY

Gerald L. LeSage
General Transportation Department

COUNTY OF: MONROE

STATE OF: NEW YORK

Gerald L. LePage, being sworn, deposes and says that he is duly authorized to make the statement contained herein, that he has read the foregoing statement, and that it is true as stated.

Subscribed in my presence and sworn to before me by the affiant above named this 24 day of April, 1974.

Gerald L. LePage
Gerald L. LePage

Notary Public

My commission expires

(Seal)

Notary Public

My Comm

LABORATORY SUPPLY COMPANY, INC.

Non-Inbred and Inbred Mice and Rats a Specialty

5010 Mooresville Road
INDIANAPOLIS, INDIANA 46241

ELDEN J. COX, President
ROBERT D. DETTMAN, Administrator

Area Code 317 - Telephone 856-5213

April 16, 1974

Mr. G.T. Godbout
Air Transport Association of America
1709 New York Avenue, N.W.
Washington, D.C.

Dear Mr. Godbout:

In regard to R.E.A. retaining its present priority; it is very important that we of the medical research animal companies have the express service that R.E.A. provides.

We cannot get the research animals delivered in any other way than by air. It is also most important that the Airlines not limit our shipments to 3 boxes per plane as they are now doing, because the animals must all be of a very close weight range to be used in testing medicines. To show how important research animals are to the national health and welfare:

NO RESEARCH ANIMALS- NO MEDICINES

So, please help keep the country healthy by not restricting our air shipments of medical research animals.

Sincerely,

Elden J. Cox

Elden J. Cox, President
LABORATORY SUPPLY COMPANY, INC.

EJC/jls

LEHMAN BROTHERS, INCORPORATED

191 FOSTER STREET • NEW HAVEN, CONNECTICUT 06507

April 17, 1974

Mr. G. Godbout
Air Transport Association
1709 New York Avenue
Washington, D. C. 20006

Gentlemen:

Due to a previous commitment I will not be able to attend the April 18th meeting.

Reference of previous correspondence made it very obvious that I am strongly in favor of the continuation of priority Air Express service. It would be deeply appreciated if you could send me the minutes of the April 18th meeting.

Very truly,

LEHMAN BROTHERS, INC.

Dominic Amodio

Dominic Amodio

DA:baw

J. B. Lippincott Company

Publishers
PHILADELPHIA • NEW YORK • TORONTO

PHILADELPHIA, PA. 19105 · CABLE ADDRESS: LIPPCOT, PHILADELPHIA
TELEPHONE (215) 925-4100

CARGO SERVICES-ATC
RECEIVED
APR 24 1974
WASHINGTON, D. C.

April 18, 1974

Air Transport Association
Attn: Mr. G. J. Godbout
1709 New York Ave. N.W.
Washington, D.C. 20006

Dear Mr. Godbout:

Please consider this letter as our deposition to Docket# 26238.

The proposed changes leave several questions pending. Who will trace shipments, who will do the invoicing and what priorities will be given to shipments going to "out of the way" destinations?

We would appreciate having a copy of the minutes of the meeting sent to us via U.S. Mail, we thank you in advance for your cooperation in this matter.

Very truly yours,

J. B. LIPPINCOTT COMPANY

Lew Bradley
Plant Manager

LB:am

THE Marquardt COMPANY 16555 SATICOY STREET • VAN NUYS, CALIFORNIA 91409 • TELEPHONE (213) 781-2121 • TWX 910-495-1710 • CABLE MARQCOR

April 16, 1974

Mr. G.J. Godbout
Director of Cargo Service
Air Transport Association of America
1709 New York Ave., N.W.
Washington, DC 20006

Dear Mr. Godbout:

I would like to make my wishes known that I am interested in maintaining Air Express Priority Service until such time as a comparable service is inaugurated.

Unfortunately, I cannot attend the hearing on Air Express Priority Service but I am interested in obtaining a copy of the minutes of the meeting.

Very truly yours,

THE MARQUARDT COMPANY

D. Scheiner

D. Scheiner
Traffic Supervisor

DS/dp

MAXON
CORPORATION

MUNCIE, INDIANA 47302
TEL.(317) 284-3304 · TELEX 027-392

MAXON®

Industrial Burner Systems & Valve Equipment

April 16, 1974

Air Transport Association
1709 New York Avenue, N.W.
Washington, D. C. 20006

Mr. G. J. Godbout

RE: C.A.B. ORDER DATED 2/27/74
DOCKET 26238

Dear Mr. Godbout:

The nature of our business is such that the Air Express Priority Service, which is currently available, is utilized almost daily to resolve difficult situations for our customers. The above order would eliminate this Priority Service and, in our considered judgment, would have a detrimental effect on our ability to serve many of our customers in the time of their greatest need. We would ask that you reconsider the implementation of this order.

Yours very truly,

MAXON CORPORATION

H. THOMAS LINDLAND,
General Sales Manager

HTL/rl

cc: Tony Crnich
Air Transport Association
Frank Carman

the MEYERCORD co.
365 East North Avenue
Carol Stream, Illinois 60187

April 8, 1974

Mr. William B. Caldwell
Director of Bureau of Operations
Bureau of Operating Rights
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20428

Subject: Civil Aeronautics Board Docket #26238

Gentleman:

It has come to my attention that the Civil Aeronautics Board is considering a proposal to discontinue priority rights on air shipments via REA Air Express.

We strongly urge that priority service be continued for REA Express, as we find an urgent need for such service when shipping to certain of our customers. Specifically, it is frequently necessary to make air express shipments to revenue collecting bodies of several states of decalcomania revenue stamps for application to taxable items, such as cigarette packages, liquor bottles and other items. It is not possible for us to ship these by other than REA and receive one carrier service and the protection afforded one carrier service.

When shipping material such as above via air express, it is done because there is an urgent need by the taxing body for revenue stamps immediately; and in the event of a delay, could prevent the taxing bodies from distributing the revenue producing stamps to the distributors of the various taxable products, thereby interrupting the collection of taxes by those taxing bodies and the distribution of the products to which the stamps are applied, as they cannot be marketed without the tax markings on the product.

Thank you very much for your consideration.

Very truly yours,

Eugene Lord, Manager
Order Department

elg

NBC NEWS

19 April 1974

Mr. Jerry Godbout
Air Transport Association
1709 New York Ave.
Washington, D. C.

Dear Mr. Godbout:

You were in a meeting when I called your office the day before yesterday but your secretary said she would see that I received the minutes of the meeting, concerning REA's status, that were going on that day.

About a month ago I wrote expressing my opposition to REA's status being changed to that of a freight forwarder. We rely heavily on REA to move our newsfilm. We also use the airlines small baggage service (with varying degrees of success) if we have one of our employees that can take the film to the airport. We never use a messinger service to take priority film to the airport.

We have unsuccessfully tried using several of the different freight forwarders. We have also tried a private messinger service to get newsfilm to the airlines small baggage counter - we made a few of the flights but missed most. Newsfilm becomes just plain film after a relatively short period of time.

From a users point of view, it seems there is a place for the type service we receive from REA, the airlines small baggage service and the existing freight forwarders. I would like to retain a status quo but am told that this is unlikely because of a tremendous amout of pressure that has been exerted. I may not see the "big picture", but from my little corner - I'm sure I won't be the only user to loose a degree of service and absorb additional costs if this change becomes a fact. Again from a users point of view -- what advantage do we gain by REA going into a freight forwarder category?

Yours truly,

W. B. Carter

W. B. Carter, Manager
News Technical Operations

cc: A. Benish
E. Planer

Packard

PACKARD INSTRUMENT COMPANY, INC.
SUBSIDIARY OF AMBAC INDUSTRIES, INC.
2200 WARRENVILLE RD • DOWNERS GROVE, ILL. 60515
312/969-6000 • CABLE: PACKARDCO • TWX 910/695-3220

CARGO SERVICES-ATC
RECEIVED
APR 24 1974
WASHINGTON, D. C.

22 April 1974

Air Transport Association
1709 New York Avenue, N. W.
Washington, D. C.
Attention: Mr. J. Godbout

Dear Mr. Godbout:

As a long time shipper with REA Air Express (Priority) service we are pleased to advise that we have found this service quite exceptional. It is used by Packard primarily for urgent shipments under 50 pounds to various destinations throughout the United States and Canada on a daily basis. Many of these shipments are field replacement parts to our Tech Service representatives (hold at airport). It is rare that we find it necessary to trace a shipment. However, I can truthfully say that this is where the service has shortcomings. The tracing service is poor.

At one time we experimented with the services of two freight forwarders with 50 similar shipments and we saved only $14.00. Our field men were not satisfied for the most part and requested that we return to the use of Air Express Priority Service which we of course did. We ship roughly 25 to 35 shipments of this type daily.

Sincerely,

H. Miller
Traffic Supervisor

PAUL HARRIS STORES, INC., 6003 GUION ROAD, P. O. BOX 68162, INDIANAPOLIS, INDIANA 46268 , 317-293-3900

April 16, 1974

Mr G.J. Godbout
Air Transportation Association
1709 New York Ave. N.W.
Washington, D.C. 20006

Dear Mr Godbout,

In reference to R E A Air Express, we would like to see R E A Air Express retain Air priority service due to Special Handling, Special Requests, and Special Services.

Sincerely,

Wayne VanAtta
Traffic Manager

WVA/ec

[redacted]

MANUFACTURERS OF *Lady Presco Products*

5695 RISING SUN AVE.
PHILADELPHIA, PA. 19120
PHONE: RANDOLPH 5-4545

April 16, 1974

Mr. J. G. Godbout
c/o Air Transport Associates
1709 New York Ave. N.W.
Washington, D.C. 20006

Dear Mr. Godbout:

Please consider this letter as my protest to docket 26238 on the possibility of discontinuation of air express.

May I request, by return United States mail, the minutes to this meeting.

Very truly yours,

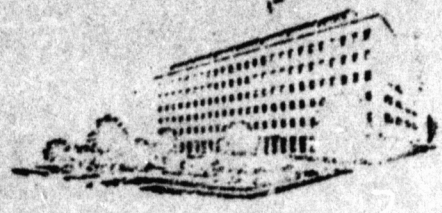
PRESSING SUPPLY CO.

JRS/eb/P

Jerome R. Silk
President

FRUIT OF THE LOOM

PROVIDENT
LIFE AND ACCIDENT
Insurance Company
CHATTANOOGA, TENNESSEE 37402



SINCE 1887

4/17/74

Mr. G. J. Godbout
Air Transport Association
1709 New Youk Ave. N. W.
Washington D. C. 20006

Subject: Docket # 26238 (C. A. B.)

Dear Sir,

Would Like to express my interest in REA Priority Air Express over air Freight. We are Receiving very good service on Air Express pick ups and Delivery Service.
We fully support and Prefer Priority Air Express.

Sincerly Yours,
Charles W. Knight
Charles W. Knight

Swc

REILLY TAR & CHEMICAL CORPORATION

CABLE ADDRESS
RETAR, INDIANAPOLIS

11 SOUTH MERIDIAN STREET
INDIANAPOLIS, INDIANA 46204

April 16, 1974

Mr. G. J. Godbout
Air Transport Association
of America
1709 New York Avenue, N.W.
Washington, D. C. 20005

Dear Mr. Godbout:

I am in receipt of your telegram dated April 11th, 1974, with reference to the Discussion Meeting relative to CAB order dated February 27, 1974, covering Docket 26238. Inasmuch as I have prior commitments, I will be unable to attend this meeting.

As previously stated we support the R.E.A. in retaining their air priority service for we have found R.E.A. the most reliable air service available.

We use R.E.A. on domestic and foreign shipments of Coal Tar Chemicals and have experienced no delays. All shipments of Coal Tar Chemicals we have made via R.E.A. have been received by our customers damage-free, which is more than we can say for other air carriers.

We pray that R.E.A. will be permitted to retain their priority and continue to perform the excellent service for the shipping public that we have become accustomed to.

Very truly yours,

REILLY TAR & CHEMICAL CORPORATION

George Nearpass
General Traffic Manager

GN:meb

REVCO DISCOUNT DRUG CENTERS

REVCO D.S., INC.

3030 QUIGLEY ROAD, CLEVELAND, OHIO 44113. (216) 696-8363 / AMERICA'S ONLY TOTAL DISCOUNT DRUG CHAIN

April 16,1974

Air Transport Association
1709 New York Avenue
Washington, D.C. 2006
Attn; Mr. G. J. Godbout

Dear Sir;

Do to the short notice given by your department we will be unable to attend the hearing scheduled for April 18,1974.

Therefore, we are writing this letter to again emphasize our support for the priority service aspect of R.E.A.

Our shipments consist of life supporting drugs which must be delivered to our retail outlets for sale to the public on a regular schedule. we have found that R.E.A. is the only common carrier which is able to meet this schedule with regularity.

With this urgency required in our shipments, we again stress the need for R.E.A.'s retention of their priority service.

Cordially Yours,

Jim Maxin

Mr. Jim Maxin
Pharmaceutical Buyer

cc: Mr. A. Schurra

Schwarzwald Hof Kennels - Reg.
5136 CASCADE ROAD, S.E.
Phone 949-0560
GRAND RAPIDS, MICHIGAN 49506

Heidi and Barry v. Schwarzwald

Bern and Duke v. Schwarzwald

April 16,'74

Air Transport Assoc.
Att:Mr.G.J.Jodbout:
1709 New York Ave.N.W.
Washington,D.C. 20006

Dear Mr.Jodbout:

I have shipped with the R.E.A. for 36 years as of Jan.'74.

It has been brought to my attention that they wish to take priorority away from them.IN THE NAME OF ALL THAT IS HUMANE,I beg you to vote against this.How can it possibly harm anything inanimate to wait for a later shipment.Please don't do this to MAN'S BEST FRIEND.These helpless little creatures that God placed on earth are about the only unchanging item left in this World today.

PLEASE DO ALL IN YOUR POWER TO ALLOW R.E.A. TO MAINTAIN PRIORITY.I along with all the puppies in the U.S.A. thank you.

Sincerely,

A. G. Gruin

G. D. Searle & Co.
Box 5110
Chicago, Illinois 60680

March 18, 1974

Mr. Wm. B. Caldwell
Director of Bureau of Operations
Bureau of Operating Rights
Civil Aeronautics Board
1825 Connecticut Ave., N.W.
Washington, D. C. 20428

Statement in Support of
REA Express Priority Service
Civil Aeronautics Board
Docket #26236

Dear Mr. Caldwell:

My name is Frank Siler, Traffic Manager of G.D. Searle & Co., Niles Avenue & Searle Parkway, Skokie, Illinois 60076. I have been in packaging, traffic, transportation and distribution for G.D. Searle & Co. for 37 years and for over 12 years I have been in charge of their Traffic Department.

G.D. Searle & Co. ships pharmaceuticals, vaccines, antibiotics and vitamin supplements to points all over the United States on a prepaid and collect basis, and because of R E A nationwide service and Priority service interlying between airlines, we are able to reach our consignees the next day with use of only one carrier.

I support R E A's request to continue operating Priority Air Service and firmly believe they are the only one-carrier system that has the avility to operate such a system.

Shippers should have the right to be heard at these meetings.

I have read the foregoing statement, know the contents thereof, and the same are true as stated.

Yours very truly

Frank Siler

Frank Siler
Traffic Manager

bcc. Air Transport Association
1709 New York Avenue
Washington, D.C. 20006

SIMPSON PRESS
Subsidiary of the Simpson Co., Inc.

6300 Old Jacksonville Highway / P.O. Box 654 / North Little Rock, Arkansas 72115 / 501-945-4182

April 17, 1974

Mr. G.J. Godbout
Air Transportation of America
1709 New York Avenue S/W
Washington, DC 20006

Dear Mr. Godbout;

This is to confirm the telephone conversation with your secretary on April 17, 1974.

Due to the short notice of the Priority Air Cargo Service meeting and a prior business commitment, I will be unable to attend this meeting.

I am interested and feel our company needs REA Air Express in our business. They have been most helpful in the past on our rush shipments of layout proofs, equipment parts, and supplies.

Please forward minutes of the meeting to us and also advise us of future meetings.

Sincerely,

SIMPSON PRESS

Winston Simpson

Winston Simpson
President

WS/sgh

P.O. Box 524, Brigham City, Utah 84302
801/863-3511

Thiokol / WASATCH DIVISION

18 April 1974

Mr. G. J. Godbout
Director, Cargo Service
Air Transport Association
1709 New York Ave. N.W.
Washington, D. C. 20006

Dear Sir:

Would you please put me on your mailing list for copies of minutes of discussions, agendas, etc., mentioned in your Traffic Bulletin A 74-37, Subject: Air Express - CAB Investigation of Service.

Thank you very much.

Very truly yours,

Max J. Jones
Traffic Manager

F

March 13, 1974

William B. Caldwell, Director
Bureau of Operating Rights
CAB Board
1825 Connecticut Avenue, N. W.
Washington, D. C. 20428

Dear Mr. Caldwell:

As Traffic Manager of Top Value Enterprises, Inc., Dayton, Ohio, I should like to go on record as opposing CAB Order Docket #26238 which was presented to the Board on February 27, 1974. We feel REA Priority Air Service plays a most important role in the overall successful operation of our business. By eliminating this part of REA's service as a carrier, a hardship would be imposed on us.

Specific reasons for our interest in REA Air Priority Service are:

1. Pick up and delivery with a single billing to help expedite handling of our shipments.

2. Prepaid and collect shipments are handled on a national basis which is a great service to us.

3. REA Air Express, in its present form, is often called upon to handle high value items for Top Value. These items consist chiefly of trading stamps, gift certificates, etc.

4. REA Air Express handles shipments to most destinations within the United States (including off-line points).

5. REA Air Express is a single line carrier thus eliminating the delay in interlining with a second carrier to destination.

6. REA Air Express has single line responsibility to handle our goods on a daily basis. This involves traffic from all Top Value locations including Distribution Centers

Con't.

located at Dallas, Texas; St. Petersburg, Florida; Dayton, Ohio; Hubbard, Ohio; Atlanta, Georgia; and Glen Burnie, Maryland.

Elimination of this service would impose a hardship on us and we urgently request this docket be rejected.

Very truly yours,

TOP VALUE ENTERPRISES, INC.

A. D. Freedars
Traffic Manager

ADF:bs

cc: Air Transport Association
1709 New York Avenue, N. W.
Washington, D. C. 20006

bcc: Frank Scheper

Vassarette

April 17, 1974

Air Transport Association
1709 New York Avenue N.W.
Washington, D.C. 20006

Att: G. J. Godbout

Subject: C.A.B. Order Docket #26238
Dated 27 February '74

Gentlemen:

As Traffic Manager for a quality ladies wear warehouse, I feel consideration should be given REA Air Express in maintaining its priority service.

I depend heavily on Air Express to market our goods and would experience great difficulty should I not be able to use them and their priority loadings.

I understand that a meeting is to be held between the airlines and REA Express which is open to the shipping public. As a major user of Air Express, I request all notices pertaining to the meetings be mailed to me, so I may adjust my schedule in order to appear in support of REA Air Express.

Yours truly,

VASSARETTE

David L. Moore

David Moore
Traffic Manager

Transport Association of America
1709 New York Ave., N.W.
Washington, D.C.

April 17, 1974

Attention Mr. G. J. Godbout

Dear Mr. Godbout:

I would like to thank you for forwarding a telegram concerning the establishment of a priority Air Cargo service to replace REA Air Express Priority.

Because of the short notice, I will be unable to attend the meeting on April 18, 1974. Due to the nature of our product we must have the extensive nationwide coverage which REA Air Express Priority provides for us today.

I would like to see a favorable motion passed by the Airlines for the continuation of REA Air Express Priority service. I feel as a user of Air Express Priority, our company would be at a great disadvantage without their service.

Sincerely,

Alfred Beaulieu

Alfred Beaulieu
Traffic Supervisor

WAYNE HOME EQUIPMENT CO., INC.
801 GLASGOW AVENUE
FORT WAYNE, INDIANA 46803
219—743-4741

April 17, 1974

AIR MAIL SPECIAL DELIVERY

Mr. G. J. Godbout
Air Transport Association
1709 New York Ave. N. W.
Washington, D.C. 20006

RE: Discussions concerning Air Priority Service

Dear Mr. Godbout:

Please be advised that I will be unable to attend the meetings beginning April 18, 1974. However, I do wish to go on record as saying that I am in full support of REA being able to continue their service to our company, and our valuable customers. Any interruptions of incoming shipments as well as shipments to our customers at this time could cause a great hardship.

I would also like to point out that if REA would be denied the continuance of their service, it would probably take a great deal of valuable time to establish a new industry-wide priority cargo service, rates, etc. This in turn would be a great hardship to all industry involved.

Thanking you again for your consideration in this matter, I remain,

Respectfully yours,

WAYNE HOME EQUIPMENT CO., INC.

Sharon F. Wilsey

(Mrs.) Sharon F. Wilsey
Traffic Manager

SFW:djh

WALLACE SILVERSMITHS

Mr. G. J. Godbout
Air Transport Association of America
1709 New York Ave., N.W.
Washington, D.C. 20006

April 17, 1974

Dear Mr. Godbout,

I wish to inform you that I will not be able to attend the meeting scheduled for tomorrow because of the short notice I received. However, I wish to extend my appreciation for having the opportunity of being able to attend the meeting.

Since I cannot attend the meeting I am taking the opportunity now of expressing my continued support for priority air express. We depend a great deal on such a service and would like to see this service continued.

Please forward me a copy of the minutes of the April 18th meeting. Thank you very much for your time and consideration.

Very truly yours,

Robert Zimmer

Robert Zimmer
Traffic Supervisor

485 SOUTH HIGHLAND • P. O. BOX 11407 • MEMPHIS, TENNESSEE 38111 • 901 323-7661

April 17, 1974

Air Transport Association
1709 New York Avenue N.W.
Washington, D.C. 20006

Att: G. J. Godbout

Subject: C.A.B. Docket #26238
Dated February 27, 1974

Gentlemen:

It is my understanding that the priority rights of REA Air Express are being questioned.

As a shipper of TV films, I feel that there should be serious consideration given to allowing REA Air Express to retain that priority.

The nationwide coverage now available to the shipping public would be in question if REA Air Express were not permitted to perform their service.

Very truly yours,

Fred Burns
Fred Burns
Film Director

Scripps-Howard Broadcasting Company
1960 Union Avenue • Memphis, TN 38104 • (901) 274-8515

17 April '74

Air Transport Association
1709 New York Avenue N.W.
Washington, D.C. 20006

Att: G. J. Godbout

Re: C.A.B. Docket 26238, Dated 27 February '74

Gentlemen:

I understand that the priority rights of REA Air Express are in question. As a shipper of television films, I feel that serious consideration should be given towards allowing REA Air Express to retain that priority.

The nationwide coverage now available to the shipping public would be in question if REA Air Express were not permitted to perform.

Very truly yours,

Sally Nelson

Sally Nelson
Film Director

ATA WSH

WAUKESHA MOTOR CO WAUKESHA WI 4-16-74

AIR TRANSPORT ASSOCIATION
1709 NEW YORK AVENUE N W
WASHINGTON D C

ATTENTION: J J HENRY

RE REA AIR EXPRESS REQUEST THEIR SERVICES BE PRESERVED WITH AIRLINES AS IT IS TODAY. THEIR PROMPT AND EFFICIENT SERVICE IS ESSENTIAL TO US IN OUR INDUSTRY TODAY.

G. T. LANNIN,
TRAFFIC MGR
939AM

BUNACOR LENX
ATA
ATTN MR G J GODBOUT
SUBJECT CAB ORDER DOCKET 26238
REA AIR EXPRESS PRIORITY SERVICE
DATED APRIL 17, 1974
GENTLEMEN
THIS IS TO INFORM YOU THAT WE CURRENTLY UTILIZE AND DEPEND UPON THE FOLLOWING UNIQUE SERVICES AVAILABLE FROM REA AIR EXPRESS:

1. NO CHARGE PICKUP AND DELIVERY SERVICES
2. SINGLE BILLING CONVENIENCE
3. PREPAID AND COLLECT BILLING AS REQUIRED
4. SERVICE ON HIGH-VALUE ITEMS
4. OFF LINE SERVICE AVAILABLE
6. HANDLE THEIR OWN CLAIMS
7. TRACING SERVICE
8. REA CAN CONTRACT FOR DELIVERY AT DESTINATION THROUGH LOCAL DRAYMAN.
9. REA HAS PRIORITY ON INTER LINE AND INTRA LINE SERVICE

CONSIDERING THE ADVANTAGES TO BUTLER NATIONAL CORPORATION SET FORTH ABOVE, WE ARE OPPOSED TO ANY CHANGE IN THE STATUS OF REA AIR EXPRESS WHICH WOULD MAKE THESE ADVANTAGES UNAVAILABLE TO US.
REGARDS
GEORGE F FRANKLIN
VICE PRESIDENT MARKETING
BUTLER NATIONAL CORPORATION
8246 NIEMAN ROAD
LENEXA KANSAS 66214
HXE NBR 42-6300 ANS BCK
BUNACOR LENX

ATA WSH
MSG SENT AT 10:20 AM CDT 4-17-74 BY BJWO
BUNACOR LENX
MB

ATA WSH
17 APRIL 1974
UNIVCTR ELGR C
17:30 CDT

UNIVAC MESSAGE NUMBER 286

TO: AIR TRANSPORTATION ASSOCIATION
1709 NEW YORK AV NW
WASHINGTON D.C. - 5TH FLOOR

ATTN: MR. J. HENRY
MR. H. WOLF

WE USE REA AIR EXPRESS BECAUSE OF THEIR PRIORITY. IF THEY LOOSE THIS PRIORITY IT WILL GREATLY EFFECT OUR TRANSPORTATION. PLEASE SEE THAT CONSIDERATION IS GIVEN TO EXTEND THEIR PRIORITY SERVICE.

REGARDS/
GEORGE T. COVAIS
TRAFFIC MANAGER
WWDC UNIVAC ELK GROVE
TLX NO 25-4276

ATA WSH
WU WSH
TLXA239 WAA208(2000)(2-033392E107)PD 04/17/74 2000
ICS IPMRNCZ CSP
7145946580 TDRN GARDEN GROVE CA 53 04-17 0800P EDT
PMS MR G J GODBOUT, DIRECTOR OF CARGO SERVICES, DLR
ASSOC 1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20006
PLEASE ENTER MY SUPPORT FOR THE CONTINUANCE OF AIR EXPRESS PRIORITY SERVICE AS PRESENTLY ESTABLISHED. OUR BUSINESS WAS BUILT ON WEEKLY YEAR ROUND SHIPPING OF LIVE BIRDS THROUGHOUT THE U S BY AIR EXPRESS. OUR SURVIVAL AND THE LIVLIHOOD OF 20 EMPLOYEES DEPEND ON THE CONTINUATION OF THE PRESENT SERVICE
ALBERT F MARSH MARSH FARMS GARDEN GROVE CA
NNNN

ATA WSH
WU WSH
TLXB007 WAD096(1251)(1-016598C107)PD 04/17/74 1250
TWX JOCKEY KNE
001 KENOSHA WIS APRIL 17 1974
PMS AIR TRANSPORT ASSOC
1709 NEW YORK AVE N W
WASHINGTON D C 20006
ATTN J F HENRY RE: R E A
WE USE AIR EXPRESS. PRIORITY SERVICE IMPORTANT TO US. REQUEST THAT AIR EXPRESS STATUS REMAIN
G KENT MAES, T MGR
JOCKEY INTERNATIONAL INC
NNNN

ATA WSH
WU WSH
TLXE008 WAE088(1255)(2-016426E107)PD 04/17/74 1254
ICS IPMBNGZ CSP
8166962302 TDBN EEPWATER MO 42 04-17 1254P EDT
PMS GARY GODBOAT, DLR
1709 NEW YORK AVE NORTHWEST 5TH FLOOR ROM A B C
WASHINGTON DC
REF REA HEARING
REQUEST REA REMAIN AS PRIORITY SERVICE WITH THE AIRLINES WE
ARE A DISABLED FAMILY RELYING SOLE ON THE SALE OF OUR DOGS AS
THE MEAN OF OUR SUPPORT WITHOUT REA WE ARE OUT OF BUSINESSREQUEST
COPY OF HEARING
SHIRLEY EDMOND LOWREY CITY MO
NNNN

ATA WSH

WU ISCS 1-024804C107 04/17/74
TWX LUNDY ELEC
ZCZCPD GLEN HEAD, N.Y. 4/17/74
TLX 8-9655 ATA WSH

BT
ATTN: GERRY GODBOUT
UNABLE TO ATTEND THE DISCUSSIONS ON AIR PRIORITY, BUT I WANT TO
GO ON RECORD IN SUPPORTING AIR EXPRESS IN ITS PRESENT FORM.
MARTIN E. SCHWARTZ

NNNN

ATA WSH
WU WSH
TLXB010 WAD102(1315)(1-018151A107)PD 04/17/74 1314
ICS IPMMOIA MWD
01068 BRPADVEW ILL 35 04-17 1203P CDT
PMS ATTN J E HENRY AIR TRANSPORTATION ASSOC
1009 NEW YORK AVE N.W.
WASH D.C.
DUE TO SHORT NOTICE UNABLE TO ATTEND MEETING HOWEVER WOULD LIKE TO
EXPRESS STRONG SUPPORT FOR THE CONTINUANCE OF REA AIR
EXPRESS PRIORITY WOULD LIKE TO BE KEPT INFORMED OF FUTURE
DEVELOPMENTS ON THIS MATTER.
R D BENNETT T.M. CHICAGO DISPLAY CO

NNNN

ATA WSH
WU WSH
TLXA230 WAB212(1922)(1-041900C107)PD 04/17/74 1921
ICS IPMSALA GNA
01309 NL SANTAANA CA 100 04-17 355P PDT
PMS MP J J GODBOUT DIRECTOR OF CARGO SERVICES
AIR TRANSPORTATION AGENCY 1709 NEW YORK AVE NW
WASH DC 20006
PLEASE ENTER OUR SUPPORT FOR THE CONTINUANCE OF AIR EPXPRESS PRICRIY
SERVICE WOULD APPRECIATE RECEIVING A COPY OF THE HEARING MINUTES
NANCY YATES COLEMAN SYSTEMS

NNNN

ATA WSH
WU WSH
TLXA193 WAD177(1657)(1-033941C107)PD 04/17/74 1649
ICS IPMGBRB GBO
19253 NL TDGB PLAINVIEW NY 28 4-17 224P EDT
PMS GJ GODBOUT
AIR TRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVENUE NW
WASHINGTON DC
REGRET UNABLE TO ATTEND DISCUSSIONS CONCERNING
PRIORITY OF AIR CARGO SERVICE WE WISH TO REGISTER
OUR STRONG SUPPORT OF AIR EXPRESS SERVICE AS IT IS AT THIS TIME
J WEISS
KALABOPPLAINVIEWNEWYORK
NNNN

ATA WSH

ATA WSH
WU WSH
TLXA198 WAE178(1718)(1-03663107)PD 04/17/74 1717
TWX NAP-ON KNE1 KENSHA WI S 4-17-74
PMS A T A
1709 NEW YORK AVE N W
WASHINGTON D C
ATTN. J. F. HENRY
SNAP-ON TOOLS CORPORATION, KENOSHA, WISCONSIN SUPPORTS MAINTAINING
REA'S PRIORITY SERVICE
SNAPON TOOLS 0 0 DUMCNT
NNNN

TZ
ATA WSH
WU WSH
TLXA209 WAD190(1740)(1-173026G107)PD 04/17/74 1736
ICS IPMIIHA IISS
IISS FM CNT 17 1736
PMS WASHINGTON DC
CNB0255 TBIH063 NL
UQWA
CRT TLX TORONTO ONT 4-17
G J GODBOUT AIR TRANSPORT ASSOC
1709 NEW YORK AVE. WASHINGTON DC
BT
WE HAVE BEEN MADE AWARE OF THE MEETING BEING HELD ON APRIL 16:74
TO CONSIDER AIPLINE PRIORITY AIR SERVICE. IT IS OUR RECOMMENDATION
THAT AIR EXPRESS SERVICE IN ITS PRESENT STATE BE CONTINED BY REA
EXPRESS AND THE CERTIFIED AIRLINES. PLSE PRESENT THIS POSITION ON OUR
BEHALF. THX
B BAILEY FISHER SCIENTIFIC CO LTD.

ATA WSH

WU ISCS 1-033942C107 04/17/74
TWX GM COMM WASHDC
ZCZC00002 WASHINGTON DC APRIL 17
TLX 89655 ATA WSH
ATTN MR G J GODBOUT ATA
BT

WE HAVE BEEN MADE AWARE OF THE MEETING BEING HELD ON APRIL 18 1974 TO CONSIDER AIRLINE PRIORITY AIR SERVICE IT IS OUR RECOMMENDATION THAT AIREXPRESS SERVICE IN ITS PRESENT STATE BE CONTINUED BY REA EXPS AND CERTIFIED AIRLINESPLEASE PRESENT THIS POSITION ON OUR BEHALF
DOUGLAS C RIDGE JR GMCAN OSHAWA

AWA0244 16.24/04-17
DCA0099 16.25/04-17

ATA WSH
WU WSH
TLXA055 WAD044(1021)(2-009146E107)PD 04/17/74 1021
ICS IPMMTZZ CSP
2036243153 TDMT NEW HAVEN CT 40 04-17 1021A EDT
PMS G J GODVOUT, DLR
CARE AIR TRANSPORT ASSN 1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20006
DUE TO SHORT NOTICE WILL NOT BE ABLE TO APPEAR IN PERSON REQUEST PRIORITY AIR EXPRESS BE CONTINUED BECAUSE OF BROAD COVERAGE AND COMPETITIVE RATES AS PER MY LETTER OF MARCH 15, 1974 ALSO REQUESTS MINUTES OF APRIL 18, MEETING
FREDERICK G VOLK JUNIOR DIRECTOR OF DELIVERY AND RECEIVING OPERATIONS
NNN0374EDT
ATA WSH
1036AEDT
ATA WSH

ATA WSH

MACPUBCO TOR

APRIL 17/74 3 55

MR G T GODBOUT

WE UNDERSTAND A MEETING WILL BE HELD ON APRIL 18, 1974 WITH R.E.A. TO REVIEW THE PRESENT REA AIR EXPRESS SERVICE IN NORTH AMERICA.

MAY WE ADD OUR SUPPORT WITH R.E.A. IN THEIR CASE TO CONTINUE THE PRIORITY SERVICE ON AIR SHIPMENTS.

WE BELIEVE THIS SERVICE TO BE A RECOGNIZED NECESSITY WITH OUR EVER INCREASING DEMAND TODAY AND FOR THE FUTURE.
THANK YOU FOR YOUR CONSIDERATION.

E.T. MONASTERSKI MACLEAN-HUNTER TORONTO CANADA
TELEX 02-29065

ATA WSH

FED RES EK CGO

AIR TRANSPORT ASSOCIATION PREPAID APRIL 18, 1974
1709 NEW YORK AVE., N.W.
WASHINGTON D.C.
MR. JERRY GODBAUT
FEDERAL RESERVE SYSTEM SUPPORTS THE PETITION BY REA EXPRESS TO CONTINUE REA PRICRITY AIR SERVICE. REA AIR EXPRESS NOW HANDLES APPROXIMATELY 4000 SHIPMENTS PEP MONTH OF CHECKS BETWEEN FEDERAL RESERVE OFFICES AS PART OF THE NATION'S CHECK COLLECTION PAYMENTS MECHANISM. REA, PROVIDING SINGLE CARRIER SERVICE FROM DOOR TO DOOR, PROVIDES A VITAL LINK WITH PRIORITY SERVICE NOT AVAILABLE WITH COMMERCIAL AIR CARRIERS.
ALL INTERESTED SHIPPERS SHOULD BE KEPT INFORMED OF THE ITEMS TO BE DISCUSSED, ALLOWED TO BE HEARD AT ANY HEARING AND SHOULD BE SENT COPIES OF THE AGENDA.
RICHARD D. ABRAHAMSON
INTERDISTRICT TRANSPORTATION MANAGER
230 SOUTH LA SALLE ST.
FEDERAL RESERVE BANK OF CHICAGO

ATA WSH

MOZ
ATA WSH
WU WSH
TLXA227 WAB344(2018)(1-046313C100)PD 04/16/74 2017
ICS IPMOLSC O4K
03288 NL RICHMOND CA 100 04-16 407P PDT
PMS G J GODBOUT DLR DIRECTOR OF CARGO SERVICE AIR TRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVE NW
WASHDC 20006
I REGRET THAT I CANNOT ATTEND THE DISCUSSION MEETING ON APRIL 18, 1974. I URGE THE ATA TO ALLOW REA AIR EXPRESS SERVICE TO CONTINUE THEIR OPERATIONS. PLEASE FURNISH ANY INFORMATION AVAILABLE AS TO THE OUTCOME OF THESE MEETINGS BY RETURN TELEX
THE TELEX NUMBER IS 335-385
WM E LLEWELLYN TFC MANAGER
BIO-RAD LABORATORIES 32ND AND GRIFFIN AVENUE
RICHMOND CALIFORNIA 94804

933P EDT APP 16 74

V
ATA WSH

CONVAC ROC
APRIL 17, 1974
ATA WASHINGTON DC
ATTENTION: G. J. GODBOUT
RECEIVED YOUR WIRE REGARDING MEETING THURSDAY. I CANNOT ATTEND. HOWEVER, WISH TO EXPRESS OUR DESIRE FOR CONTINUED REA AIR EXPRESS PRICRITY SERVICE.
K SHERWOOD, TRAFFIC MANAGER
CVC PRODUCTS INC 1775 MT READ BLVD ROCHESTER NY

ATA WSH
WU WSH
TLXA222 WAB338(1941)(1-045149C106)PD 04/16/74 1938
ICS IPMMUSA MNTV
09062 NL MOUNTAINVIEW CA 147 04-16 357P PDT
PMS MR C J GODBOUT - DLR
DIRECTOR OF CARGO SERVICES
AIR TRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVENUE N.W.
WASH DC 20006
RE: DOCKET 26238, REA AIR EXPRESS SERVICE INVESTIGATION
DEAR SIR:
I AM ANXIOUS TO REAFFIRM MY INTEREST IN THE MEETING ON APRIL 18. EACH WEEK WE MAKE TWO CRITICAL SHIPMENTS OF SEMICONDUCTOR UNITS VIA REA AIR EXPRESS. THESE UNITS ARRIVE IN SAN FRANCISCO FROM HONG KONG AND ARE SHIPPED TO LOS ANGELES FOR FURTHER TESTING AND RESHIPPED. WITHOUT THE AIR EXPRESS PRIORITY SERVICE THIS WOULD NOT BE POSSIBLE AND WOULD GREATLY JEOPARDIZE TELEDYNE'S FINANCIAL

OPPORTUNITIES. IN ADDITION, TELEDYNE SHIPS 75,000 POUNDS VIA REA AIR EXPRESS EACH YEAR TO END USERS OF SEMICONDUCTORS AND PURCHASE
S
APPROX. 50,000 POUNDS OF RAW MATERIALS REQUESTING SHIPMENT VIA REA AIR EXPRESS. BECAUSE OF THE NATURE OF THE COMMODITY WE DEAL WITH, IT IS CRITICAL TO US AT TELEDYNE THAT RCA AIR EXPRESS RETAIN THEIR PRIORITY SERVICE.
I WOULD APPRECIATE YOUR FORWARDING ME A COPY OF THE MINUTES OF APRIL 18THS MEETING.
SINCERELY
CATHLEEN ORR, TRAFFIC SUPERVISOR
TELEDYNE SEMICONDUCTOR
1300 TERRA BELLA AVENUE MOUNTAINVIEW CA 94043
NNNN

ATA WSH
TLXA135 WAC276(1459)(2-024162E106)PD 0
ATA WSH
RXQYXUR QRT

ATA WSH
TLXA135 WAC276(1459)(2-024162E106)PD 04/16/74 1458
ICS IPMRNCZ CSP
21392140CO TDRN SANTA FE SPRINGS CA 69 04-16 0258P EDT
PMS G J GODBOUT, DIRECTOR CARGO SERVICES, DLR
AIR TRANSPORT ASSN OF AMERICA 1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20006
REFERENCE DISCUSSIONS CONCERNING AIR EXPRESS PRIORITY
UNABLE TO ATTEND SCHEDULED MEETING WISH TO RE-EMPHASIZE MY CONCERN OF LOSS OF THIS SERVICE. THIS SERVICE VERY IMPORTANT TO OUR VERY COMPETITIVE BUSINESS. MUST HAVE THIS SERVICE FOR SALES SAMPLES AND SHOW SAMPLES DURING OUR NEW SEASON SHOWINGS. PLEASE PROVIDE COPY OF MINUTES FROM THESE MEETINGS
AL SLOCUM TRAFFIC MANAGER ALCOA SPORT PRODUCTS CO 15601 RESIN
PL SANTA FE SPRINGS CA 90670
N

ATA WSH
WU WSH
TLXA235 D U TELTEX WSHB039(1939

BECKMAN FLT

BECKMAN FLT

TELTEX PD FULLERTON CALIF 4-17-74

MR G J GODBOUT
DIRECTOR CARGO SERVICES
ATA 1709 NEW YORK AVE N.W.
WASHINGTON D C 20006

PLEASE BE ADVISED THAT BECKMAN INSTRUMENTS
INC SUPPORTS THE CASE OF AIR EXPRESS PRIORITY SERVICE

PLEASE KEEP ME INFORMED OF PROGRESS OF HEARINGS
BECKMAN INSTRUMENTS INC
TR
ROBERT B CAMPBELL
TRAFFIC ADMINISTRATOR

ATA WSH
MR G J GODBOUT
DIRECTOR OF CARGO SERVICE
AIR TRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVENUE N W
WASHINGTON D C 20006

AS A CUSTOMER OF R E A AIR EXPRESS STOODY COMPANY IS VERY
INTERESTED IN RETAINING THE REA AIR EXPRESS PRIORITY SERVICE

REQUEST MINUTES OF THE MEETING TAKING PLACE IN WASHINGTON D C
ON APRIL 18, 1974

R J VOGEL
TRAFFIC MANAGER
STOODY CO WHT

ATA WSH

ATA WSH
WU WSH
TLXA223 WAC346(1934)(1-043661A106)PD 04/16/74 1932
TLX CMI PRVO
ZCZC 04 PROVO UTAH APRIL 16
PMS G.J. GODBOUT
AIR TRANSPORTATION ASSOCIATION
1709 NEW YORK AVENUE N.W.
WASHINGTON D.C.10006
CANNOT MAKE IT IN PERSON BUT WOULD LIKE TO BE KEPT ADVISED OF
THE PROCEEDINGSM I WOULD ALSO LIKE THE MINUTES OF THE MEETNG
SENT TO ME. CMI DESIRES THAT REA BE GRANTED AN EXTENTION UNTIL
JANUARY 15.
RAY KIRMAN, CONSTITUTION MINT
TELEX 389 406

G J GODBOUT
ATA OF AMER

DEAR MR GODBOUT

UNFORTUNATELY I WILL NOT BE ABLE TO ATTEND THE DISCUSSION
MEETING ON APR 18 MENTIONED IN TELEX FROM MR JAMES F HENRY

IT IS VERY IMPORTANT TO US THAT THE PRIORITY SERVICE PROVIDED
NOW BY REA AIR EXPRESS BE MAINTAINED UNTIL SUCH TIME WHEN
ANOTHER COMPARABLE SERVICE IS DEVELOPED

THE TYPE OF SERVICE WE USE IS HIGH PRIORITY/SMALL PACKAGE FOR
DELIVERY OF OUR PORCINE SKIN DRESSINGS THESE DRESSINGS ARE USED
FOR EMERGENCY BURN PATIENT CARE

WOULD IT BE POSSIBLE FOR YOU TO SEND COPIES OF THE MINUTES OF
THE DISCUSSION MEETING ON APR 18?

THEODORE C KRAVER
VICE PRESIDENT
BURN TREATMENT SKIN BANK
2430 E WASHINGTON ST
PHOENIX ARIZONA 85034

-

ATA WSH
TELTEX PD GLENDALE WIS 4-17-74
AIR TRANSPORT ASSOC OF AMERICA
G J GODBAPT
1709 NEW YORK AVE N W
WASHINGTON D C
AIR EXPRESS PRIORITY DISCUSSION 4-18-74
IT IS OUR OPENION UNLESS AIR EXPRESS AUTHORITY, INCLUDING PRIORITY
IS PRESERVED AS IS, AIR SERVICE AVAIL. TO THE PUBLIC WILL MATERIALLY
SUFFER. WE RECEIVED NOTICE OF 4-18-74 DISCUSSION ON 4-15-74 CHI FUTUR
DISCUSSIONS PLSE ALLOW MORE ADVANCE NOTICE IF AT ALL POSSIBLE
J FUHR
OSTERCORP GLEN
CORR OPINION

ATA WSH
TU WSH
TLX4001 WAE321(1812)(1-042043C106)PD 04/16/74 1811
CS IPMTSLA TUC
01045 TUCSON AZ 23 04-16 201P MST
MS AIR TRANSPORT ASSOCIATION OF AMERICA
ATTN G J GODBOUT DIRECTOR CARGO SERVICE
709 N Y AVENUE
NORTHWEST
ASHINGTON DC
EQUEST COPY OF MINUTES OF DOCKET NO 26238. I WOULD LIKE TO SEE
RIORITY SERVICE CONTINUED UNTIL A SUITABLE SUBSTITUTE CAN BE FOUND
AGM CARGO TIES INC G R BAMBAUER TRAFFIC MANAGER

NNN

ATA WSH

VIA WU ISCS (NY 108NN125052)04/18/74
FROM: RELGOOD EUCD
16
TLX 89555 ATA WSH
ATTN: G. J. GODBOUT

BT
RE: AIR PRIORITY CARGO DISCUSSIONS

ACCEPT THIS AS CONFIRMING OUR SUPPORT OF A METHOD OF PRIORITY AIR CARGO - FURTHER WE FIRMLY SUPPORT REA AIR EXPRESS IN THEIR CONTENTION THAT THEY SHOULD BE GRANTED THIS SELECTED POSITION.

WE AS MANY OTHER BUSINESS FIRMS - REQUIRE A PRIORITY MEANS TO SHIP & RECEIVE NEEDED PARTS & MATERIALS TO CONDUCT OUR OPERATION.

REA AIR EXPRESS HAS THE PHYSICAL PLANT IN OPERATION AND MOST CERTAINLY THE EXPERTIESE IN THE AREA OF TRANSPORT TO EFFECIENTLY AND ECONOMICALLY ACCOMPLISH THIS TASK.

TO RE-ASSEMBLE THIS PLANT WOULD BE JUST AMOUNT TO DESTROYING A NATURAL RESOURCE.

PLEASE FORWARD AT OUR EXPENSE MINUTES OF THIS MEETING AND DISCUSSION WHEN AVAILABLE.

ROBERT L. BURDEN
CORPORATE GENERAL TRAFFIC MGR.
RELIANCE ELECTRIC CO. (TOLEDO SCALE-HAUGHTON ELEVATOR-LORAIN PRODUCTS & DODGE MANUFACTURING)

24701 EUCLID AVE.
CLEVELAND, OHIO 44117

ATA SH
WU WSH
TLX4174 WAF160(1558)(2-026896E107)PD 04/17/74 1558
ICS IPMBNGZ CSP
3125275410 VL TDBN CHICAGO IL 117 04-17 0358P EDT
PMS G J GODBOUT, DLR
AIR TRANSPORT ASSOCIATION OF AMERICA 1709 NEW YORK AVE NORTHWEST WASHINGTON DC
WILSON PHARMACEUTICAL AND CHEMICAL CORP A SUBSIDIARY OF AMERICAN CAN CO IS UNABLE TO ATTEND THE DISCUSSIONS REGARDING PRIORITY AIR CARGO SERVICE APRIL 18 1974. WE RESPECTFULLY REQUEST THIS TELEGRAM BE ENTERED IN AS EVIDENCE OF OUR CORPORATIONS INTEREST IN THE CONTINUANCE OF REA AIR EXPRESS PRIORITY SERVICE. OUR CORPORATION IS A SHIPPER OF LIFE SAVING PHARMACEUTICALS WHICH REQUIRE EXPEDITIOUS DELIVERY AND STRICT SCHEDULING. THEREFORE IT IS OUR BELIEF THAT THERE IS A DEFINITE NEED FOR REA PRIORITY AIR SERVICE AND THIS COMPANY SHOULD BE ALLOWED TO CONTINUE PROVIDING THIS SERVICE

F A DISVISCOUR GENERAL TRAFFIC MANAGER WILSON PHARMACEUTICAL AND CHEMICAL CHICAGO ILLINOIS

TLXA217 WAG192(1805)(2-034571E107)PD 04/17/74 1805
ICS IPMFNCZ CSP
2137320113 TDRN LOS ANGELES CA 226 04-17 0605P EDT
PMS G J GODBOUT, DLR IMMY, DLR
DIRECTOR OF CARGO SERVICE AIR TRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20006
THE UNDERSIGNED RESPECTFULLY REQUEST THAT THE FOLLOWING STATEMENT BE READ INTO THE RECORD AT THE HEARING OF APRIL 18 CONCERNING A PRIORITY AIR CARGO SERVICE TO REPLACE R.E.A. AIR EXPRESS.
THERE ARE MANY PROBLEMS CURRENTLY EXISTING RELATED TO THE TRANSPORTATION OF LIVE ANIMALS BY AIR. BECAUSE OF THE JET AIRPLANE TRANSPORTATION OF LIVE ANIMALS IN THIS MATTER HAS DEVELOPED INTO A SIZABLE BUSINESS AND YET THE AIRLINES HAVE BEEN QUITE RELUCTANT IN ESTABLISHING SUITABLE RULES TO GOVERN THAT TRAFFIC IN THIS AREA. IT IS BECAUSE OF SUCH SITUATIONS THAT IT WOULD BE ILL ADVISED TO DEVELOP

A SIMILAR ORGANIZATION TO R.E.A. AIR EXPRESS. THIS NEW ORGANIZATION WOULD BE DOMINATED BY THE AIRLINES CONSEQUENTLY A CONTINUANCE OF A SIMILAR SITUATION. IT IS FURTHER FELT THAT THE MANY YEARS OF EXPERIENCE DEVELOPED BY R.E.A. AIR EXPRESS CANNOT BE DUPLICATED BY ANY OTHER ORGANIZANTION FOR SOME YEARS TO COME. THEREFORE INSTEAD OF A STEP FORWARD FOR AIR CARGO TRANSPORTATION IT WOULD RESULT IN A STEP BACKWARD. IT ONLY SEEMS CONCEIVABLE THAT BY A CONTINUING COOPERATIVE EFFORT BETWEEN R.E.A. AIR EXPRESS AND THE AIRLINES WOULD NOT ONLY ENHANCE BOTH PARTIES BUT WOULD DEVELOP A GREATER EXPERTISE AND FOR MORE EFFICIENCY IN THE FIELD OF AIR CARGO TRANSPORTATION. I ENCOURAGE A FAVORABLE VOTE FOR THE CONTINUANCE OF THE AGREEMENT BETWEEN THE AIRLINES AND R.E.A. AIR EXPRESS
GEORGE M CROSIER EXECUTIVE VICE PRESIDENT OF THE LOS ANGELES

SPCA
NNNN

PHILCOFORD TOR
APR 18 1974

MR G J GODBOUT
AIR TRANSPORT ASSOCIATION OF AMERICA WASHINGTON DC

WE HAVE BEEN MADE AWARE OF THE MEETING BEING HELD ON APRIL 18 1974 TO CONSIDER AIRLINE PRIORITY AIR SERVICE.

WE WOULD LIKE TO PROTEST THE DISCONTINUANCE OF AIR SERVICE CORRECTION AIR EXPRESS SERVICE IN ITS PRESENT STATE BY REA EXPRESS AND THE CERTIFIED AIR LINES.

PLEASE PRESENT THIS POSITION ON OUR BEHALF.

KEN NEVILLE
CUSTOMS AND TRAFFIC MGR

PHILCOFORD TOR

ATA WSH

CONDATA MPS A

QR OFFNET
.0000 HQSC7A 041774 1805

TO AIR TRANSPORT ASSN
1709 NEW YORK AVE. NW
WASHINGTON DC. 20043
ATTENTION: JERRY GOUDBOUT
TELEX NUMBER 8 9655

CC CIVIL AERONAUTICS BUILDING
WASHINGTON DC. 20248
ATTENTION: BURTON S. KOLKO
TELEX NUMBER 89 2415

FM R L GEHRKE HQSC7A
CONTROL DATA CORPORATION
8100 34TH AVENUE SOUTH
MINNEAPOLIS, MINNESOTA 55440

MY NAME IS ROGER L. GEHRKE AND I AM MANAGER OF GENERAL FREIGHT AND ANALYSIS AND A REGISTERED PRACTITIONER FOR CONTROL DATA CORPORATION -CONTROL DATA- WITH CORPORATE OFFICES AT 8100 - 34TH AVENUE SOUTH, MINNEAPOLIS, MN 55420.

CONTROL DATA IS ENGAGED IN THE MANUFACTURE 'SALE AND LEASING OF ELECTRONIC COMPUTERS AND OTHER RELATED PRODUCTS WHICH ARE MARKETED THROUGHOUT THE WORLD.

CONTROL DATA IS ONE OF THE PARENT COMPANIES OF COMPUTER PERIPHERALS' INC. -CPI- WITH CORPORATE OFFICES AT 6800 FRANCE AVENUE' EDINA' MN AND HOLDS 50 PERCENT INTEREST THEREIN. AS A PREANT COMPANY CONTROL DATA'S CORPORATE PHYSICAL DISTRIBUTION AND TRANSPORATTION DEPARTMENT IS FUNCTIONING AS AN AGEND FOR CPI IN RESPECT TO FREIGHT DISTRIBUTION AND RELATED ACTIVITIES. I AM AUTHROIZED TO SUBMIT THIS STATEMENT FOR CONTROL DATA ANDCPI IN SUPPORT OF THE APPLI-CATION OF AIR EXPRESS DIVISION OF REA EXPRESS' DOCKET NO 26238 PERTAINING TO AIR PRIORITY SERVICE.

THE NATURE OF OUR BUSINESS REQUIRES PRIORITY METHODS OF DISTRI-BUTION FOR AIR FREIGHT SHIPENTS. AS MANY OF OUR SHIPMENTS ARE ON THE EMERGENCY STATUS AS COMPUTING SYSTEMS ARE DOWN AND NOT OPER-ATIONAL WE WISH TO SUPPORT THE CONTINUATION OF AN AIR PRIORITY SERVICE OFFERED BY THE AIR EXPRESS DIVISION OF REA.

END/HQSC7A/TJC

T#
ATA WSH

CONDATA MPS B
QR OFFNET
.9611 HQSO7A 041974 1045 AM

TO AIR TRANSPORT ASSN
1709 NEW YORK AVE NW
WASHINGTON DC 20248
ATTN JERRY GOUDBOUT
TELEX NC 8 9655

CC CIVIL AERONAUTICS BLDG
WASHINGTON DC 20048
ATTENTION BURTON S. KOLKO
TELEX NC 89 2415

FM P L GEHRKE HQSO7A
CONTROL DATA CORPORATION
8100 34TH AVE SO
MINNEAPOLIS MINNESOTA 55420

THIS IS A CORRECTION OF A TWX DATED 041774 AND SHOULD READ AS FOLLOWS;

MY NAME IS ROEGR L. GEHRKE AND I AM MANAGER OF GENERAL FREIHT AND ANALYSIS AND A REGISTERED PRACTITIONER FOR CONTROL DATA CORPORAT.ON -CONTROL DATA- WITH CORPORATE OFFICES AT 8100-34TH AVENUE SOUTH, MINNEAPOLIS, MN 55420.

CONTROL DATA IS ENGAGED IN THE MANUFACTURE SALE AND LEASING OF ELECTRONIC COMPUTERS AND OTHER RELATED PRODUCTS WHICH ARE MARKETED THROUGHOUT THE WORLD.

CONTROL DATA IS ONE OF THE PARENT COMPANIES OF COMPUTER PERIPHERALS INC. -CPI- WITH CORPORATE OFFICES AT 7 4800 FRANCE AVENUE EDINA MN AND HOLDS 50 PERCENT INTEREST THEREIN. AS A PARENT COMPANY CONTROL DATAS FORPORATE PHYSICLD DISTPIBUTION AND TRANSPORTATION DEPARTMENT IS FUNCTIONING AS AN AGENT FOR CPI IN RESPECT TO FREIGHT DISTRIBUTION AND RELATED ACTIVITIES. I AM AUTHORIZED TO SUBMIT THIS STATEMENT FOR CONTROL DATA AND CPI IN SUPPORT OF THE APPLICATION OF AIR EXPRESS DIVISION OF REA EXPRESS DOCKET NO 26238 PERTAINING TO AIR PRIORITY SERVICE.

THE NATURE OF OUR BUSINESS REQUIRES PRICRITY METHODS OF DISTRIBUTION FOR AIR FREIGHT SHIPMENTS. AS MANY OF OUR SHIPMENTS ARE ON THE EMERGENCY STATUS AS COMPUTING SYSTEMS ARE DOWN AND NOT OPERATIONAL WE WISH TO SUPPORT THE CONTINUATION OF AN AIR PRIORITY SERVICE SIMILAR TO THAT BY THE AIR EXPRESS DIVISION OF REA.

END HQSO7A MSM
NNNN

MP
ATA WSH

WU ISCS 2-025882E107 04/17/74
ICS IPMMTZZ CSP
ZCZC 6092342900 TDMT MOORESTOWN NJ 04-17 0342P EDT
TLX 89655 ATA WSH
TBB213(1445)(2-022276E107) 9192282334 TDMT BURLINGTON NC 67 04-17
0244P EDT
G J GODDOUT AIR TRANSPORT ASSOCIATION OF AMERICA 1709 NEW YORK
AVE NORTHWEST
WASHINGTON DC

BT
I AM ADRIAN W WALKER TRAFFIC MANAGER SERVICE AND ROUTES BURLINGTON
INDUSTRIES INC BURLINGTON INDUSTRIES THE WORLDS LARGEST MANUFACTURER
OF TEXTILE PRODUCTS SUPPORT THE CONTINUANCE OF REA AIR EXPRESS
PRIORITY SERVICE THE RECENT ELIMINATION OF MANY FLIGHTS BY THE
AIRLINES HAS CREATED NUMEROUS PROBLEMS AND RESULTED IN UNRELIABLE
SERVICE ON AIR SHIPMENTS BURLINGTON INDUSTRIES USES AIR EXPRESS
EXTENSIVELY AND URGES CONTINUANCE OF THIS SERVICE
  ADRIAN W WALKER BURLINGTON INDUSTRIES INC BURLINGTON NORTH
CAROLINA

ATA WSH
WU WSH

TLXA15[illegible] WAE149(1545)(1-028576C107C08)PD 04/17/74 1539
ICS IPMGBBB GBO
19183 TDGB ELKGROVEVILLAGE IL 68 4-17 207P EDT
PMS AIR TRANSPORT ASSOCIATION
1709 NEW YORK AVENUE NW
WASINGTON DC
ATTN J J HENRY
PLEASE REGISTER OUR SUPPORT FOR CONTINUATION OR REA
AIR EXPRESS PRIORITY SERVICE IN LOASING CARGO WE SHIP
APPROX THIRTY AIR EXPRESS PER DAY ENGINE PARTS TO REPAIR
BREAKDOWN ENGINES OFTEN FOR THE
TIME PERSONAL PICK UP AT AIRPORT AND MUST RELY ON OME
ASSURANCE OF NEXT SCHEDULE FLIGHT SRVICE AS NOW AUTHORIZED
VIA AIR EXPRESS PRIORITYLOADING
  RICHARD E HEALY
  TRAFFIC MANAGER

(TELEDYNE CONTINENTAL MOTORS
  ELKGROVEVILLAGE ILLINOIS
NNNN

TO
ATA WSH
WU WSH
TLXA206 WAE321(1812)(1-042043C106)PD 04/16/74 1811
ICS IPMTSLA TUC
01045 TUCSON AZ 23 04-16 201P MST
PMS AIR TRANSPORT ASSOCIATION OF AMERICA
ATTN G J GODBOUT DIRECTOR CARGO SERVICE
1709 N Y AVENUE
NORTHWEST
WASHINGTON DC
REQUEST COPY OF MINUTES OF DOCKET NO 26238. I WOULD LIKE TO SEE
PRIORITY SERVICE CONTINUED UNTIL A SUITABLE SUBSTITUTE CAN BE FOUND
  AGT CARGO TIES INC G R BAMBAUER TRAFFIC MANAGER

WU ISCS 1-021422A107 04/17/74
TWX BUR BRN TSN
ZCZC 001 TUCSON, AZ. APRIL 17, 1974
TLX 8-9635 ATA WSH

BT
ATTN: G. J. GODBOUT
DIRECTOR OF CARGO SERVICES

AS A HIGH VOLUME USER OF AIR EXPRESS SERVICES, I WISH TO REQUEST THAT THE C.A.B. SERIOUSLY CONSIDER RETAINING THE AIR EXPRESS PRICRITY SYSTEM UNTIL A NATIONWIDE SUBSTITUTE IS MADE AVAILABLE.

IN GEOGRAPHIC LOCATIONS SUCH AS TUCSON, EXPEDITIOUS MEANS OF FREIGHT DELIVERIES ARE NOT ALWAYS READILY AVAILABLE. CONSEQUENTLY, AIR EXPRESS HAS OFFERED A CONSIDERABLE SERVICE TO US AND OUR CUSTOMERS.

WE WOULD APPRECIATE IT VERY MUCH IF YOU WOULD FORWARD US A COPY OF THE MINUTES OF THE MEETING ON DOCKET NO. 26238.

NORMAN F. NIEHAUS, PURCHASING MGR.
BURR-BROWN RESEARCH CORP., TUCSON, AZ.

ATA WSH

WU ISCS 1-022586C107 04/17/74
TWX GUG LITH BNDR
ZCZC 1 MILWAUKEE WIS APRIL 17
TLX 09655 ATA WSH
ATTN: MR. J. F. HENRY

BT
WE FULLY SUPPORT REA AIR EXPRESS'S REQUEST TO CONTINUE PRIORITY EXPRESS SERVICE.

REA AIR EXPRESS HAS PROVIDED EXPEDITIOUS, ECONOMICAL SERVICE ON HUNDREDS OF SHIPMENTS PER MONTH.

NO SERVICE WE KNOW CAN DO THE SAME.

V. L. HENKEL
TRAFFIC MANAGER
GUGLER LITHOGRAPHIC CO.
MILWAUKEE WIS.

NNNN

ATA WSH
WU WSH
TLXA061 WAA121(1026)(2-008739E108)PD 04/18/74 1026
ICS IPMBNGZ CSP
3125452700 TDBN CHICAGO IL 31 04-18 1026A EDT
PMS J J HENRY, DLR
CARE AIR TRANSPORT ASSN 1709 NEW YORK AVE NORTHWEST
WASHINGTON DC
CONFIRMING MY CONVERSATION WITH MR GODBOUTS OFFICE BELL AND HOWELL SCHOOLS HAS A DEFINITE NEED FOR CONTINUING REA AIR PRICFITY SERVICES AND WOULD LIKE TO SEE THIS SERVICE CONTINUED
JOHN WARD TRAFFIC MANAGER BELL AND HOWELL SCHOOLS

ATA WSH

CHIBRGE OAKR
NO 2793 APR 18 1974

AIR TRANSPORTATION ASSN

ATTN J J HENRY 5TH FLOOR

WE URGE YOU NOT TO TAKE THE AIR SHIPMENT PRIORITY AWAY FROM REA. WE USE REA BECAUSE OF THE AIR PRIORITY AND CONVENIENCE TO CBI.

M D KATHER
PURCHASING MANAGER
CHICAGO BRIDGE AND IRON COMPANY
OAK BROOK ILLINOIS
TELEX 253186

ATA WSH

ATA WSH

ATA WSH
WU WSH TLX1122 WAG169(1325)(1-016844A108)PD 04/18/74 1323
TWX RCRER PENNA.
333 FORT WASHINGTON, PA. APRIL 18, 1974
PMS MR. G.J. GODBOUT
AIR TRANSPORT ASSOC. OF AMERICA
1709 NEW YORK AVE. N.W
WASHINGTON, DC
THE DRUG AND TOILET PREPARATION TRAFFIC CONFERENCE SUPPORTS THE PETITION OF REA THAT ANY SUBSTITUTE CLEARLY MUST NOT BE INFERIOR TO THE PRESENT SERVICE. THIS IS A MATTER OF THE PUBLIC CONVENIENCE AND NECESSITY. HENCE THE ISSUE SHOULD BE OPEN TO DISCUSSION AND INPUT ON THE PART OF THE PUBLIC. UNLESS THE AIRLINES CAN PROVIDE PROPER PROOF OF THE QUALITY OF THE NEW SERVICE, THE PRESENT REA AIR EXPRESS SHOULD BE MAINTAINED AS IT IS THE ONLY SINGLE FACTOR REACHING THOUSANDS OF CITIES.
LEON WM. MORSE, PRESIDENT

DRUG & TOILET PREPARATION
TRAFFIC CONFERENCE

ATA WSH
WU WSH
TLXA106 WAG156(1237)(2-015850E108)PD 04/18/74 1237
ICS IPMRNCZ CSP
2063258875 TDRN SEATTLE WA 56 04-18 1237P EDT
PMS G J GOODBOUGT, DLR
DIRECTOR OF CARGO SERVICE AIR TRANSPORT ASSOC 1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20006
THE WESTERN TRAFFIC CONFERENCE INC REPRESENTING OVER 70 MEMBERS OPERATING RETAIL DEPT STORES IN WESTERN STATES STRONGLY SUPPORT EXTENSION OF REA AIR EXPRESS AUTHORITY. ELIMINATION OF THIS UNIQUE AND VITAL SERVICE WILL SERIOUSLY HAMPER OPERATIONS AND INCREASE COSTS OF TRANSPORTATION. WE STRONGLY URGE FORMULATION OF RULES TO COMMIT CONTINUATION OF PRESENT OPERATIONS AS PRIORITY AIR CARRIER.
ROBERT G GLEASON SECRETARY TREASURER

MODINE RCN
APRIL 18, 1974

AIR TRANSPORT ASSOC. WASHINGTON, DC

ATTN: MR. G.J. GODBOUT, DIR. CARGO SERV.

PLEASE ACCEPT THIS WIRE INLIEU OF MY INABILITY TO ATTEND THIS MORNING'S HEARINGS ON DOCKET NO. 26238 COVERING THE PRIORITY AIR CARGO SERVICE. WE MUST MAINTAIN THE PRIORITY AIR CARGO SERVICE IN ORDER TO CONTINUE MEETING OUR NEEDS. RECENT EXPERIENCES UNABLE TO BE DOCUMENTED IN THIS WIRE, OF AIR-LINE FREIGHT SERVICE HAVE BEEN POOR, AND DETERIORATING TO A POINT THAT WE ARE UNABLE TO RELY ON AIRLINE FREIGHT SERVICE.

E.A. HEIDENREICH/ MODINE MFG COMPANY
TLX 26-4447
END

#
ATA WSH

WU ISCS 1-034209A109 04/19/74
TWX CELESCO CSMA
ZCZC 80169 COSTA MESA CA 19 APR 74
TLX 93655 ATA WSH
ATTN G. J. GODBOUT, ATA

BT

RE ESTABLISHMENT OF PRIORITY AIR CARGO SERVICES TO REPLACE AIR EXPRES
MAY I POINT OUT THAT OTHER THAN THE U.S. MAIL REGISTERED SERVICE, WHI
LEAVES MUCH TO BE DESIRED, WE HAVE ONLY THE AIR EXPRESS "PROTECTIVE
SECURITY SERVICE" VIA WHICH WE ARE PERMITTED TO SEND DOD CLASSIFIED
MATERIAL. INDUSTRY INVOLVED IN DEPARTMENT OF DEFENSE CONTRACTS
DEPENDS HEAVILY ON THIS SERVICE.

N. S. MACK
SECURITY SUPERVISOR
CELESCO INDUSTRIES INC.
3333 HARBOR BLVD.
COSTA MESA, CALIFORNIA
ZIP CODE 9262
TWX NO. 910-595-1527
END AJF

#
ATA WSH
WU WSH
TLXA224 W4G197(1840)(2-036165E107)PD 04/17/74 1840
ICS IPMFNCZ CSP
6029661471 TDRN TEMPE AZ 35 04-17 0640P EDT
PMS G J GODBOUT, DLR
DIRECTOR OF CARGO SERVICE AIR TRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVE NORTHWEST
WASHINGTON DC
WE REQUEST THE MINUTES OF THE MEETING OF DOCKET NUMBER 26235
SECONDLY WE REQUEST THAT REA AIR EXPRESS BE GRANTED THE EXTENSIO
ON THEIR PRIORITY SERVICE SUCH TIME THAT ANY SUITABLE ALTERNATIVE
CAN BE INITATIATED
ROBERT PAMACHENA MATERIALS MGR
NNNN

LLA071 WAF066(1126)(2-011755E107)PD 04/17/74 1126 APR 17 PM12:05
ICS IPMMTZZ CSP
2126872180 TDMT NEW YORK NY 16 04-17 1126A EDT
PMS JERRY GODBOUT, DLR
ATA 1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20006
UNABLE TO ATTEND DISCUSSION ON AIR PRIORITY SERVICE. WANT TO
GO ON RECORD TO CONTINUOUS OF AIR EXPRESS.
RADIUM CHEM CO
NNNN

LLC040 WAB167(1627)(1-032215C107)PD 04/17/74 1626 1974 APR 17 PM 4:49
TWX G D SEARLE SKO
002 SKOKIE ILL APRIL17
PMS MR. J. J. HENRY
TRANSPORTATION ASSN.
TRANSPORTATION BLDG.
5TH FLOOR
1709 NEW YORK,AVE N.W.
WASHINGTON, D.C.

4-17-74

MR. J.J. HENRY

BECAUSE OF SHORT NOTICE UNABLE TO ATTEND YOUR MEETING. I
WISH TO MAKE IT VERY CLEAR WE DEFINITELY HAVE A BIG USE FOR

1974 APR 17 PM 4:49

A ONE COMPANY PRIORITY SERVICE. MENTION REA EXP. IN THIS
MATTER.

FRANK SILER
G.D. SEARLE & CO.
CHICAGO, ILL

NNNN

1974 APR 17 PM 1:00

LLA088 WAB090(1252)(2-016309E107)PD 04/17/74 1252
ICS IPMBNGZ CSP
8166962302 TDBN EEPWATER MO 29 04-17 1252P EDT
PMS GARY GODBOAT, DLR
1709 NEW YORK AVE NORTHWEST 5TH FLOOR ROM A B C
WASHINGTON DC
REF REA HEARING
REA EXPRESS MUST REMAIN AS PRIORITY SERVICE WITH THE AIRLINES
IF IT IS DISCONTINUED IT WILL PUT US OUT OF BUSINESS
OAKRIDGE KENNELS O A HOLMAN ROUTE 2 OCEOLA MO
NNNN

Exhibit 3
Page 96 of 108

APR 17 PM 12:41

LLA080 WAF080(1210)(2-014145E107)PD 04/17/74 1210
ICS IPMBNGZ CSP
8166962302 TDBN DEEP WATER MO 61 04-17 1210P EDT
PMS JERRY GODBOAT, DLR
1709 NEW YORK NORTHWEST 5TH FLOOR ROOM ABC
WASHINGTON DC
REFERENCE TO THE ATA HEARING REQUEST REA EXPRESS REMAIN AS A
PRIORITY SERVICE WITH THE AIRLINES I RESPECTFULLY REQUEST A
COPY OF THE MINUTES OF THIS HEARING. I FULLY DEPEND ON REA EXPRESS
TO DELIVER SOME 1500 COPIES PER YEAR FOR MY KENNEL. IF REA IS
TAKEN OUT OF SERVICE IT WILL CLOSE MY OPERATION COMPLETELY.
THIS IS MY FULL LIVELIHOOD
JAM-SEK KENNELS DEEP WATER MO
NNNN

MGMWSMT MSA
1-0293254106 04/16/74
TLX NANNETTE PHA
001 PHILADELPHIA PA
ZIP 20006

western union Mailgram

UNITED STATES POSTAL SERVICE

AIR TRANSPORT ASSOCIATION
ATTN MR G J GODBOUT
1709 NEW YORK AVE N W
WASHINGTON D C 20006

GENTLEMEN
WITH REFERENCE TO MEETING RELATIVE TO HEARING DOCKET 26238
YOUR WIRE RECEIVED. HOWEVER, WILL NOT BE ABLE TO MAKE HEARING
AS SCHEDULED.

I THEREFORE AM SUBMITTING FOLLOWING DEPOSITION IN LIEU OF
PERSONAL TESTIMONY.

WE WISH TO AFFIRM STATEMENT IN LETTER OF MARCH 14, 1974.
WE DO HAVE FREQUENT USE FOR AIR EXPRESS ESPECIALLY WITH OUR
SAMPLE LINES, WHICH REQUIRE THE HIGHEST PRIORITY POSSIBLE.

WE SINCERELY FEEL THAT TO ELIMINATE REA AIR SERVICE WOULD WORK
AN UNDUE HARDSHIP ON OUR INDUSTRY,, AND TO SUBSTITUTE ANOTHER
AIR CARRIER WITH DUBIOUS P&D SERVICE, SEEMS ABSOLUTELY IMPRACTICAL.

THIN THE MATTERS OF TRACING, PRIORITY HANDLING, CLAIMS, ETC.
IS IMPORTANT TO OUR FREIGHT SINCE IT IS ALL SEASONAL MERCHANDISE.

WE MOST URGENTLY URGE THE RETENTION OF PRESENT AIR EXPRESS SERVICE.

WE WOULD ALSO APPRECIATE RECEIVING A COPY OF THE MINUTES OF ACTION
TAKEN AT THE HEARINGS.
J B MURRAY, TRAFFIC MANAGER
NANNETTE MANUFACTURING CO., INC.
3800 FRANKFORD AVE. PHILA. PA 19124

15:31 EDT

MGMWSMT MSA

NGMWSHT MSA
1-102845G106 04/16/74
ICS IPMIAHD PH=1
CCD200 (SF 106)TEKSEAV 03454 BEAVERTON OREGON
ZIP 20006

G.J. GODDOUT, DIRECTOR
CARGO SERVICES
AIR TRANSPORT ASSOC.
1709 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20006

DUE TO THE NEARNESS OF THE MEETING DATE WE ARE ANSWERING YOUR WIRE BY FAST METHOD OTHER THAN AIR MAIL. WE FEEL THAT A PRIORITY AIR CARGO SERVICE MUST INCLUDE THE FOLLOWING ITEMS TO ADEQUATELY REPLACE AIR EXPRESS.

1. PICK-UP AND DELIVERY SERVICE INCLUDED IN CHARGES FROM AND TO ALL POINTS NOW SERVED BY AIR EXPRESS.
2. ONE SOURCE OF RESPONSIBILITY FOR CONTROL AND INFORMATION
3. RELIABILITY
4. TRACEABILITY
5. EXPEDITED INTERLINE CAPABILITY
6. PRIORITY SERVICE
7. REASONABLE COST LEVEL

PLEASE KEEP US ADVISED ON FUTURE HEARINGS WITH NOTICES AS EARLY AS POSSIBLE.

TEKTRONIX, INC.
HAROLD W. FRITZLER
TRAFFIC MGR.
NNN
10:46 EDT

NGMWSHT MSA

MGMWSHT WSB
2-035375E106 04/16/74
ICS IPMWNCZ CSP
6029493845 MGM TDRN SCOTTSDALE AZ 100 04-16 0552P EDT
ZIP 20016

western union Mailgram

UNITED STATES POSTAL SERVICE

G J GODBOUT, AIRTRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20016

REQUEST THAT I BE FURNISHED WITH THE MINUTES OF MEETING ON DOCKET NUMBER 26238 SCHEDULED TO BEGIN APRIL 18 1974. FURTHER REQUEST THAT AIR EXPRESS BE AUTHORIZED TO CONTINUE THEIR SERVICE OR AT LEAST BE GRANTED AN EXTENSION OF TIME UNTIL ANOTHER METHOD OF MOVING PRIORITY SHIPMENTS IS ESTABLISHED AND IN SERVICE
LOUIS WEGO FOREMAN SHIPPING AND RECEIVING CEPT MOTOROLA GED
8201 EAST MCDOWELL RD SCOTTSDALE AZ 85252

17:52 EDT

MGMWSHT WSB

MGMWSHT WSB
2-019580E107 04/17/74
ICS IPMMTZZ CSP
0177370756 MGM TDMT ALLSTON MA 100 04-17 0157P EDT
ZIP 20013

western union Mailgram

UNITED JET SERVICE

G J GODBOUT
AIR TRANSPORT ASSOCIATION OF AMERICA 1709 NEW YORK AVE NORTH
WEST
WASHINGTON DC 20013

DEAR SIR I CANNOT ATTEND MEETINGS ON REA AIR EXPRESS PRIORITY SERVICE BUT WISH TO AGAIN GO ON RECORD THAT I MUST HAVE NATIONWIDE PRIORITY COVERAGE WITH COMPLETE BEYOND SERVICE OFF LINE AND SINGLE BILLING FOR MY CUSTOMERS OFFER BY AIR EXPRESS PRIORITY SERVICE
FREDERICK T DEMPSEY TRAFFIC MANAGER MUSIC THEATER INTERNATIONAL

13:57 EDT

MGMWSHT WSB

CARGO SERVICES-ATC
RECEIVED
APR 18 1974
WASHINGTON, D. C.

MGMWSHT HSB
2-028395E107 04/17/74
ICS IPMRNGZ CSP
3055244369 MGM TDBN FORT LAUDERDALE FL 100 04-17 0420P EDT
ZIP 20000

western union Mailgram

UNITED STATES POSTAL SERVICE

AIR TRANSPORT ASSOCIATION OF AMERICA
ATTN J C GODBOUT 1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20000

CARGO SERVICES-ATC
RECEIVED
APR 18 1974
WASHINGTON, D. C.

WISH TO MAKE STATEMENT IN SUPPORT OF CONTINUING SERVICE OF REA
AIR WE HAVE USED THESE SERVICES A NUMBER OF YEARS WITH CUSTOMER
SATISFACTION
J T REESE TAXIDERMIST H E ALDERMAN

1612C EDT

MGMWSHT HSB

MGMWSMT MSB
2-030245E106 04/16/74
ICS IPMBNGZ CSP
3139622345 MGM TDBN DETROIT MI 100 04-16 0431P EDT
ZIP 20006

western union **Mailgram**

UNITED STATES POSTAL SERVICE

Exhibit 3
Page 104 of 108

CARGO SERVICES-ATC
RECEIVED
APR 18 1974
WASHINGTON, D. C.

AIR TRANSPORT ASSN
1709 NEW YORK AVE
WASHINGTON DC 20006

ATTENTION MR G. J. GODBOUT:
UNABLE TO ATTEND YOUR MEETING WITH THE C.A.B. ON THE 18TH REGARDING REA PRIORITY SERVICE DUE TO SUCH SHORT NOTICE. PLEASE PUT ME ON RECORD AS SUPPORTING REA'S RETAINING THEIR PRIORITY SERVICE.
SINCERELY.
BEN BRODIE TRAFFIC MANAGER HANDLEMAN CO 670 EAST WOODBRIDGE DETROIT MI 48226

1:34 EDT

MGMWSMT MSB

MGMWSHT HSB
2-027305E106 04/16/74
ICS IPMBNGZ CSP
H172932551 MGM TDBN FORT WORTH TX 100 04-16 0346P EDT
ZIP 20006

western union Mailgram

UNITED STATES POSTAL SERVICE

MR G J GODBOUT, DIRECTOR OF CARGO
AIR TRANSPORTATION ASSN 1709 NEW YORK AVE NORTHWEST
WASHINGTON DC 20006

DEAR MR GODBOUT THIS IS TO EXPRESS MY CONCERN THAT IF REA AIR EXPRESS IS TO BE DENIED A PRIORITY AIR SERVICE I HONESTLY FEEL THE SHIPPING PUBLIC MUST SUFFER WE MAKE USE OF REA AIR EXPRESS ON A DAILY BASIS WE HAVE USED SEVERAL AIR FORWARDERS IN THE PAST OF WHICH NONE HAS PROVIDED THE CONSISTANT SERVICE AS REA AIR EXPRESS MAY I REQUEST THE MINUTES OF YOUR MEETING OF THURSDAY 16TH APRIL 1974 CONCERNING THIS INFORMATION ALSO PLEASE KEEP THIS COMPANY ADVISED OF THE PROGRESS ON THIS MATTER. SINCERELY
JOHN M BERGMAN TRAFFIC MANAGER LOMA CORP PO BOX 40350 FORT WORTH TX 76140

15:46 EDT

MGMWSHT HSB

MGMWSHT WSA
1-015039A107 04/17/74
TWX ITE ALD CHGO 2
001 CHICAGO IL APR 17
ZIP 20000

western union Mailgram

UNITED STATES POSTAL SERVICE

J. J. HENRY
ATA BLDG
1709 NEW YORK AVE
WASHINGTON D.C. 20000

REA AIR EXPRESS IS ABSOLUTELY ESSENTIAL FOR EXPEDITED DELIVERY OF SMALL PACKAGES!!!!!!!!!!
S. G. KEIR
I.T.E. IMPERIAL CORPORATION
CHICAGO, ILLINOIS

12:24 EDT

MGMWSHT WSA

MGMWSHT MSA
1-0072144108 04/18/74
TLX AREX ROC
01 ROCHESTER NY APRIL 18
ZIP 20006

western union Mailgram

UNITED STATES POSTAL SERVICE

G.J.GODBOUT
AIR TRANSPORT ASSOCIATION OF AMERICA
1709 NEW YORK AVENUE N W
WASHINGTON DC 20006

RE DISCUSSIONS CONCERNING ESTABLISHMENT OF PRIORITY AIR CARGO SERVICE TO REPLACE AIR EXPRESS.
UNABLE TO ATTEND MEETING APRIL 18,1974. I AM VERY INTERESTED IN OUTCOME OF THESE HEARINGS AND FAVORABLE ACTION IN FAVOR OF REA AIR FREIGHT.
PLS KEEP ME INFORMED OF FUTURE MEETINGS AND DEVELOPMENTS.
DAVID COOPER
TRAFFIC MANAGER, PENNWALT CORPORATION, PHARMACEUTICAL DIVISION

10:15 EDT

MGMWSHT MSA

Exhibit U

MINUTES

SECOND MEETING

DOCKET 26238

PRIORITY AIR CARGO SERVICE

In the absence of Mr. George A. Buchanan, Vice-President, Traffic, ATA, Chairman for the Priority Air Cargo Service Meetings, Mr. G. J. Godbout, Director - Cargo Services assumed the Chairmanship for this meeting.

Mr. Godbout opened the meeting by stating that pursuant to the CAB Orders, the purpose of these meetings and oral presentations made at these meetings was to discuss the agenda items in connection with a proposed Industry-Wide Air Cargo Priority Service, not to discuss the continuation of REA Express in air express service. The forum for such commentary belongs within the CAB investigations Dockets 22387 and 22388, (the Express Rate Investigation and the Express Service Investigation).

Personal introductions were made by all in the meeting room.

Mr. Godbout stated that as in the last meeting, this second meeting would begin with oral presentations from interested parties present. He also noted that in the interest of time and in order to present views as stated by each presentor, written summaries from the interested parties making oral presentations would by necessity be requested.

Oral presentations were made by the following persons representing organizations as indicated in the following order of appearance (attached hereto as Exhibit II are written copies of those presentations by parties who supplied same by May 21, 1974 in alphabetical order).

1.	Air Freight Forwarders Association of America presenters:	Martin Schulman George Ryan
2.	Burroughs Corporation presenter:	W. A. Reed
3.	Colt Industries presenter:	J. E. Chidiac
4.	Cole National Corporation presenter:	Clem Baumeister
5.	Emery Air Freight presenter:	Max King

6. Gibson Greeting Cards, Inc.
   presenter: Jack La Eace

7. Loma Corporation
   presenter: John Bergman

8. Micro-Biological Associates
   presenter: Ted DeBremond

9. Precision Rubber Products Corporation
   presenter: Carl Senne

10. Vanderbilt University
    presenter: Angie Campbell

11. Western Electric Company, Inc.
    presenter: Guy J. Pasquino

12. REA Express, Inc.
    presenter: John J.C. Martin

13. Emerson Electric Company
    presenter: J. H. Klosterman

The following is a summary of questions asked by the discussants of the presenters and answers given:

Q. When would the Air Freight Forwarders Association members be prepared to handle live animals?

A. We would be prepared to move promptly.

Q. How many air shipments are moved by Burroughs Corporation in one month?

A. Due to our size I could not make a judgment?

Q. Does Burroughs need door-to-door capability?

A. Normal pick up and delivery will not accomplish what we need. We also need the capabiility of airport pick up by our own vehicles.

Q. When REA Express becomes an Air Freight Forwarder, won't this answer Colt Industries problem in an area such as Beloit, Wisconsin

A. I cannot answer that at this time.

Q. At Colt Industries do you route your traffic?

A. Where I can.

Q. At Colt Industries what is most important to you, a single agency ... or priority on an aircraft?

A. Speed.

Q. Do you serve many destinations at Colt?

A. Yes, 30,000 destinations, no consistency, one shot deals.

Q. If you have a traffic routing section at Colt Industries, how does a single agency help you?

A. We cannot handle all of these shipments through our shipping clerks. Mostly major or known destinations are the ones we route. It simplifies matters for us to have a single agency route the others.

Q. What is the average size of a Colt shipment?

A. It runs all over the lot, from gaskets to turbines.

Q. How does Colt get its air freight shipments from Beloit to Chicago now?

A. Fortunately, we have a trucker who comes down.

Q. How soon can Emery Air Freight handle live animals?

A. We can't answer that until we see your (air carrier's) rules, which are being developed.

Q. Would Loma Corporation desire a consolidated terminal operation rather than individual operations?

A. Yes, but qualified.

Q. Is the airlines ACI air freight directory not sufficient for use by Loma Corporation?

A. Our needs are ten times that large.

Q. Is Loma Corporation's primary concern priority ... or geopgraphic?

A. We cannot separate the two.

Micro-Biological Associates stated it has problems with airline acceptance on such items as restricted articles.

Q. If refused by the airlines, how do you move these shipments?

A. What I meant was in connection with dealing with one entity as opposed to perhaps twenty different air carriers. I meant it was more of a hassel because of lack of training by the airlines. When dealing with many carriers there is greater hesitancy for acceptance of dry ice packaged materials or hazardous type materials; they are eventually accepted but it requires less problems when dealing with one agency.

Q. Does Micro-Biological Associates desire for the air carrier or third party operator to prepare its documents?

A. No, this is the shippers responsibility.

Q. If Western Electric Company desired to point out one single deficiency in air freight service what would it be?

A. I am talking about filling the gap.

Q. In connection with Western Electric Company's statement regarding payment of $2.5 million to REA Air Express, how much of this was because of lower rates?

A. Approximately 50%.

Q. As an Air Freight Forwarder, would REA want to see a priority air cargo service operated by a third party operator?

A. Yes.

The following is a general summary of points made by interested parties making oral presentations, who either did not make these points within the written copy submitted or who did not submit written copies of their presentations or remarks by May 21, 1974:

-- single responsibility very necessary.
-- vigorously oppose a third party or common operator system.
-- door-to-door capability necessary.
-- ease of tracing desired quality, believe single responsibility organization only one who can respond to this.

Written presentations in the form of letter correspondence, teletypes, telegrams, and mailgram which were received by May 21, 1974 have been attached as Exhibit III to these minutes in the form they were received.

This ended the oral presentations by interested parties and this section of the meeting was adjourned.

There follows the minutes of the authorized discussants section of the meeting.

Item 1 Discussion By Interested Parties Directed Toward Introduction Of Common Priority Air Cargo Terminal Facilities And Administration By A Third Party At Selected Cities

At the last meeting, April 18, 1974, in summary it appeared that the following topics could be agreed to in general for inclusion in discussion of scope:

-- nationwide service.
-- provision for optional pick up and delivery.
-- airport to airport service.
-- means for interline transfer of shipments.

There was a varied difference of opinion in connection with the subject of the need for a central point for handling, routing, and receipting of traffic.

By hand count, it was noted that some eleven (11) discussants felt that the concept of a priority air cargo service should be founded on the airline's present air freight systems (individual systems). Eight (8) discussants felt that the concept of a priority air cargo service should be founded on a similar service to that which air express provides today (common operator system).

Due to the request of a number of discussants, who had shown interest in a common operator system, the second meeting had been scheduled for further discussion of this particular item and one other.

In beginning the discussion, a discussant proponent of common priority air cargo terminal facilities and administration by a third party at selected cities led the discussion.

In describing his opinion of the item and answering questions by other discussants the leader of the discussion generally noted the following:

Basic Opinion:

-- an on airport common facility.
-- dispatch of traffic as is today by carrier.
-- shipper routed or routed by common operator.
-- cities where there is sufficient volume can include:
    handling charge
    telephone charge
    billing to customer

Q. Could it not also be considered for an intown operation or terminal?

A. In theory, yes, but realistically, it is a tough proposition.

Q. Are you proposing that a shipper/user could not go to the terminal of a specific airline?

A. Not necessarily, but we must face decision of common operator or not.

An example of a shipper's strong desire for a common drop at one point on an airport was Mr. Ted DeBremond of Micro-Biological Associates.

Another analogy by a discussant was that of a passenger coming out to an airport, according to certain surveys, most passengers do not like unit terminals such as that found at JFK International but rather prefer common terminals such as IAD International.

One discussant remarked, "Is there anyway to accomplish something such as this in 75 days?".

Another discussant suggested, "how could the airlines come up with airport facilities at locations such as Miami and LaGuardia?".

In further discussion it was noted that ACI consolidated airline terminals do not route air freight.

Another discussant pointed out that if a shipper felt calling an airline common operator for a one call tracing system would be an advantage, this is not so, different computer systems such as UNIVAC, IBM, SABRE, etc. are employed by individual carriers. We cannot talk to each others computers today, how can you have the ability to develop a way around this in a short period of time?

Two thoughts were opinioned in this area:

(1) one ground rule would be shipper routings, then tracing calls would by necessity go to the air carrier.

(2) the possibility of linking into the ARINC* airline networks to provide the compatability between the airlines. (*Aeronautical Radio, Incorporated, an airline owned and operated radio and teletype communications company).

Shippers want one call operations was again noted by several discussants.

A discussant also suggested that the air carriers should want to preserve the business we have today.

The lead discussant suggested that all the participants might possibly do today would be to agree in concept. Then as a further measure appoint an ad hoc group or task force to immediately look at the economics and feasibility of bringing this about today.

Certain discussants though feeling this approach as desirable continued to note that the time element of 75 days for implementation is the greatest barrier the group is faced with.

Other discussants suggested that August 1, 1974, was not necessarily an absolute deadline, although it should be planned for. Much in the area of immediate feasibility would depend on the locations the group might be considering.

In reference to "single source", "single drop point", etc. other discussants suggested that this is the air freight forwarder and the air freight forwarder will "route" and "trace".

Legal counsel in response to a discussants question regarding the C.A.B. and it's orders perhaps not intending for there to be a third party involved in a priority air cargo service, stated that he did not believe the Board addressed itself to this concept, but certainly did not preclude it.

A number of discussants suggested that the area of the discussions was a very large spectrum; from speaking to facilities all the way to addressing a substitute for air express as we know it today.

In Legal counsel's opinion, the discussants are well within the concept of the Board's orders if the parties are discussing terminals.

In continuing discussion in connection with airlines obligation for airport-to-airport service and the role of the air freight forwarders, certain discussants felt that the air freight forwarders do not serve all of the smaller cities and consolidations by the forwarders would slow down shipments, thus not being responsive to the customers needs.

For clarification, one discussant stated that in his opinion there was no area within the agenda item which was intended to infer that the air carriers would not file their own priority air cargo tariffs. This was agreed by all.

At this point in the discussion, two discussants recommended that the group might review the airline's S.A.T.O. relationship. S.A.T.O. stands for "Scheduled Airline Traffic Office". This is a Civil Aeronautics Board approved joint airline effort which operates traffic offices on military installations which are responsive to the needs of our national defense in the handling of Department of Defense traffic. The discussants noted that such a joint relationship effort could be implemented on an individual city by city or airport by airport basis.

In continuing discussion, one discussant felt that in that the type of traffic which a priority air cargo service would handle is "cost oriented" traffic perhaps as much as 85% of this traffic would filter into other forms of air cargo transportation immediately, thus if no billing or routing were involved in a starting common operator system at certain locations, an initial system could be set up within seventy (70) days.

In this vein, certain discussants reiterated that the pick up and delivery aspect of a third party or common operator system was part and parcel of such an operation.

In order to provide further immediate concentration by those interested in a common operator system, the Chairman recommended the appointment of a task force.

The following agreed to serve in this capacity:

George Shipman,	AA	(Chairman)
Gordon Duthie,	AC	
Howard Brooks,	SB	
John Mitchell,	EA	
Ken Edwards,	CO	
Jack Murphy,	TW	
George Groves,	ACI	

A meeting of the Task Force for the study of the economics and feasibility of a common priority air cargo terminal facilities and administration by a third party at selected cities was scheduled for May 21, 1974, at 10:00 a.m. at the Air Transport Association of America.

Item 2 Discussion of Standards for Transfer Times and Forms to be Used for Interline Handling of Priority Air Cargo

The Chairman of the Special Industry Task Force - Industry Wide Interline Handling of Priority Air Cargo Service presented the report dated May 1, 1974, as attached as Exhibit IV, hereto.

It was noted that all contents of the report are in fact recommendations. In certain areas specifically relating to transfer times, the group realizes rather "ambitious" time recommendations will be found.

It was stated that all "forms" recommendations are purely temporary and that this report of recommendations will be turned over to the Freight Services Committee of the Air Traffic Conference Division of the Air Transport Association of America.

The concept of the recommendations as contained in the report was adopted unanimously by the discussants and other interested parties will be given an opportunity to comment on this concept at subsequent meetings prior to final agreement by the participants.

In connection with a short discussion in reference to the term "Air Express", the C.A.B. staff members present noted they could find no problem with air carriers considering use of this term. Legal counsel noted that air express is in fact a generic term.

Recommendations relating to the color of labels which may become involved was also turned over to the Freight Services Committee.

Prior to adjourning, the discussants agreed that the next meeting on Priority Air Cargo Service is scheduled for Tuesday, June 11, 1974, at the Air Transport Association of America.

Frank J. Black
Acting Secretary

CARRIERS ELIGIBLE
TO PARTICIPATE IN
DISCUSSIONS CONCERNING
INDUSTRY-WIDE
PRIORITY AIR CARGO SERVICE
DOCKET 26238

Air Canada
Air France
Airlift
Airwest
Alaska
Allegheny
American
Aspen
Braniff
Continental
Delta
Eastern
Flying Tiger
Frontier
National
New York
North Central
Northwest
Ozark
Pan American
Piedmont
San Francisco-Oakland
Seaboard
Southern
Texas International
Trans World
United
Western

REPORT

PRIORITY AIR CARGO SERVICE

AD HOC GROUP

APRIL 24, 1974

Mr. J. Pogue, DL, Chairman of the Priority Air Cargo Service Ad Hoc Group, opened the meeting with a discussion on the directives set forth by the participants in the discussions of a priority air cargo service as provided by Board Order 74-2-118 and 74-4-1 authorizing such discussions. The Ad Hoc Group has been requested to review and, if possible, develop industry standards in forms and procedures for the handling of priority air cargo service on an interline basis.

Following discussion, the Ad Hoc Group agreed that the industry should have standardization of both forms and procedures for the benefit of the shipper and for simplification of handling the traffic on the part of the carrier.

The Ad Hoc Group discussed the name to use to effectively identify this priority service. It was the consensus of the Group that the industry should attempt to maintain the phrase "Air Express" and that this identification appear on all documents that relate to the priority service. It was the general consensus that each carrier would precede the phrase "Air Express" with their respective carrier name, i.e., American Air Express, etc.

The Ad Hoc Group further agreed on the following recommendations under the subjects noted below:

I. FORMS

A. Airbill

The Ad Hoc Group is recommending that the industry consider the development of a totally new type airbill to be used for this priority service. It is their opinion that the industry generally will want to segregate and

readily identify all traffic that moves on the priority service. It is the recommendation that the industry assign the project for development of a new priority air cargo airbill to the Freight Services Committee - Forms and Procedures Subcommittee. Furthermore, that the project be coordinated with the Revenue Accounting Committee and the Data Processing Committee. The Group agreed that the newly developed form should be smaller in size and of a different color than the current AC-17 and the newly adopted AC-17 and that the new airbill should consist of at least seven parts.

The Ad Hoc Group recognizes the required lead time for the development and printing of the necessary forms and further recognizes that such forms should be implemented as soon as possible. Therefore, they would recommend that the industry establish a specific date for development and implementation of this form and other support forms.

As an interim measure, the Ad Hoc Group is recommending that at the beginning of the new priority service and until such time as separate documents can be implemented, the industry use the current AC-16 Transmittible Uniform Airbill or the AC-17 Uniform Airbill for the movement of the priority cargo. It is necessary, as stated above, to readily identify the traffic moving under the priority system and, likewise, important that the customer is not confused and that he be fully aware that he is purchasing the priority service. Therefore, it is proposed that the industry adopt the following procedure when using the uniform airbill for the priority cargo service...

> that a diagonal line will be drawn between the lower left corner and the upper right corner and will appear on all copies of the airbill. That the words "Air Express" must be preprinted or hand-stamped on at least the Shipper's Receipt and Consignee Memo. The words "Air Express" shall be not less than one half inch "block-outline" letters. See Exhibit A.

B. Transfer Manifest (AC-2)

The Ad Hoc Group recommends that a separate transfer manifest be prepared for priority air cargo from that of regular air freight traffic. In the interim, the Ad Hoc Group is recommending that the diagonal line appear on the transfer manifest and that the words "Air Express" be stamped or preprinted on all copies on the document. (See Exhibit B.) They, again, would recommend that the Freight Services Committee - Forms and Procedures Subcommittee be assigned to develop a special transfer manifest. The general consensus is that the new priority-transfer manifest would be the same format as the existing transfer manifest and that the words "Air Express" be printed in the heading of the document.

C. Airbill Envelope (AC-3)

The Group is in agreement that the airbill should be attached to the shipment and that the existing airbill envelope would be sufficient for the priority air cargo service. It should be further noted that as an option a polyethylene clear plastic self-adhesive airbill envelope may also be used in place of the AC-3, as outlined in the Trade Practice Manual, Appendix B, Standard Freight Practices - Resolution 215.20.

D. Non-Delivery Notice (AC-4)

The recommendation is that the AC-4 currently in use would be sufficient for the priority service. However, the form should be endorsed with the words "Air Express" as noted in Exhibit C and that this endorsement either be preprinted or stamped.

E. Lot Shipment Label (AC-7)

The Ad Hoc Group is recommending that the industry use the current AC-7 Lot Label for interline shipments. In order that these shipments can be readily identified as priority cargo, the recommendation is that a special

identification label with adhesive backing be developed as noted below.



The color of this label would be determined at a later time. This label must be affixed next to the Lot Label and both the Lot Label and the indentification label should be located next to the shipper's label. It should be the option of the carrier as to the number of additional labels that would appear elsewhere on the package(s).

F. Signature Service Label (AC-8)

The Ad Hoc Group recommends that no change be made to this label when used for priority cargo. The one purpose is that this merely identifies a signature service shipment and its supporting documents would properly identify the shipment as a priority shipment.

G. Signature Service Record (AC-10)

The Ad Hoc Group recommends no change to this form. This form is a continuous record of a signature service and is used only by the carrier.

H. Register of Air Freight Shipments (AC-12)

The Ad Hoc Group recommends that separate AC-12's be completed for regular air freight and for priority air cargo. When used for priority cargo, it should be so noted with a line drawn through it and "Air Express" stamped or imprinted on the form. See Exhibit D.

I. Receipt for Freight Shipment (Optional) (AC-12X)

The Ad Hoc Group feels this form would not be applicable to priority air cargo, therefore, no recommendations are needed.

J. Notice of Attempted Delivery (AC-15)

In view of the fact that this form is predominantly used by ACI (Air Cargo, Incorporated), the Ad Hoc Group would recommend that ACI develop a separate form similar to the AC-15 to be used for priority air cargo shipments. In most cases, the carriers will likely have priority cargo segregated from other traffic. Therefore, the carriers feel that it will be necessary for such shipments to be so identified by the consignee.

K. Freight Inspection and Claims Form (AC-18)

The Ad Hoc Group recommends that it would be important that when an inspection is made on a priority air cargo shipment, it will be necessary to so note it. Therefore, the Group recommends that a diagonal line be drawn across all copies of the AC-18 from the lower left corner to the upper right corner and that the words "Air Express" be either stamped or preprinted with letters no less than one half inch in size and be block outlined (as shown on Exhibit E) as is required for the airbill. The Group also recommends that the Freight Services Committee's Forms and Procedures Subcommittee develop a separate inspection form for priority cargo.

L. Shipper's Manifest (AC-19)

The Ad Hoc Group felt that this form would not be applicable and no recommendations are required.

II. PROCEDURES

A. Transfer

It is the recommendation of the Group that the delivery carrier be responsible for the preparation of the transfer manifest when applicable. A recommendation is that the current transfer times now stated in the Air Express Policy and Operations Manual be retained as necessary transfer time for cities noted therein and attached as Exhibit F. This list covers practically all domestic cities where interline connections are made. Connections at all other cities (not listed) would be a minimum time.

The Ad Hoc Group recommends that each carrier at all airports must establish its own local receiving point for priority cargo in order to expedite the transfers. Also, it is recommended that the "Local Management Committee" at each city work out other details concerning these locations.

B. Pick-Up and Delivery

The Group recommends that the following pick-up and delivery schedules be considered as a guideline for the priority cargo service:

DELIVERY

Available to Trucker By	Delivered to Consignee By
0800	1300
1400	1800

PICK-UP

By Trucker	Available at Airport
Before 1200	1400
After 1200	1800

The Ad Hoc Group also recommends that the industry request Air Cargo, Inc. to begin a study on pick-up and delivery service for priority air cargo and a complete proposal be submitted to the industry within a reasonable time.

C. Tracing

The Ad Hoc Group recommended that the revised procedures, approved by the Freight Services Committee at its March 12-13, 1974, meeting for the Trade Practice Manual - Standard Freight Practices, Appendix B, Resolution 210.35 - Tracing, be adopted for priority air cargo traffic with one modification...

> that in the message format, line tracing message line, the three letter alpha "action code" be followed by the words "Air Express" as reflected in Exhibit G.

D. Routing

The Ad Hoc Group recommended that the rules for priority air cargo movements be the same as noted in the Official Air Freight Rules Tariff - 1-B, CAB No. 96, Rule 42, which reads as follows:

"ROUTING AND REROUTING

(A) (1) (Not applicable to CO or FT) Carrier, in the exercise of due diligence and in order to protect all property accepted for transportation, will determine the routing of any

shipment, not routed by the shipper.

(2) (Applicable to CO and FT only) Carrier, in the exercise of due diligence and in order to protect all property accepted for transportation, will determine the routing of any local shipment, as well as any interline shipment which is not routed by the shipper beyond the lines of the origin carrier by whom the shipment is accepted.

(B) (1) (Not applicable to CO or FT) When the carrier determines that it is necessary to expedite delivery, carrier will deviate from any route shown on the Airbill or forward via any air carrier or other transportation agency at the rate prescribed by such agency, provided that when either of the foregoing actions is taken, the transportation charges shall be no greater than the air freight charges from origin to destination via the route shown on the Airbill.

(2) (Applicable to CO only) In routing any shipment pursuant to paragraph (A) (2) above, and irrespective of whether the carrier elects to route the shipment via a higher rated route, the charge assessed shall not exceed the lowest charge which would be applicable via any routing which includes a line haul via the origin carrier which accepted the shipment, unless the originating carrier secures the shipper's authority in writing to use a higher-rated route and to assess charges via such high-rated route.

(3) (Applicable to FT only) In the event the carrier routes any shipment pursuant to paragraph (A) (2) above, and unless the shipper specifies to

the contrary at the time the carrier accepts the shipment, the carrier shall choose the most expeditious routing available via any air carrier or other transportation agency. The charge assessed shall be the applicable charge of the air carrier(s) via the routing the shipment moved."

E. Priority

The Group recommended that the rules for priority air cargo be the same as stated in Official Air Freight Rules Tariff 1-B, CAB No. 96, Rule 46, which reads as follows:

"AVAILABILITY OF EQUIPMENT AND SPACE

(A) Carrier undertakes to transport, consistent with its capacity to carry, all property accepted for transportation. All shipments are subject to the availability of equipment of the kind and type capable of handling the shipment, and with respect to carriers transporting passengers, air mail, and air express, to available space after the accommodation of passengers, air mail and air express, and carrier will determine on a reasonable and not unjustly discriminatory basis, the priority of carriage as between shipments, and will decide which shipments shall not be carried on a particular flight and which shall be removed at any time or place whatsoever and when a flight shall proceed without all or any part of a shipment. Nothing in this rule shall be construed as relieving the carrier of liability for negligent delay.

(B) Any shipment or commodity will be subject to refusal, delay or embargo by carrier if such shipment or commodity cannot be

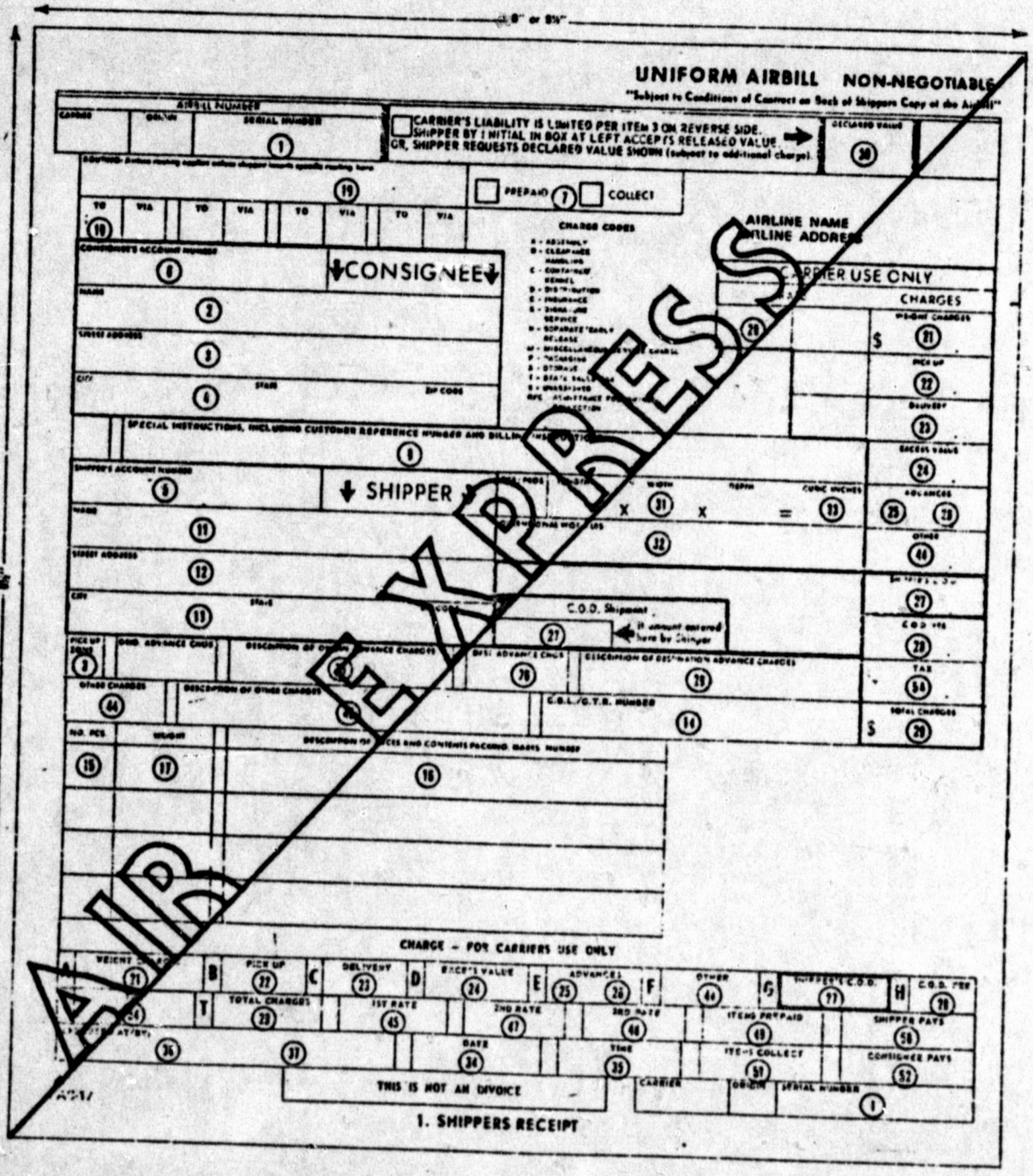
transported with reasonable dispatch by reason of any governmental rules, regulations, or orders, or because of unavailability of equipment of the kind or type capable of handling the shipment, or for other conditions beyond the control of the carrier."

There being no further business to discuss, the meeting was adjourned with the request that this report be made a part of the agenda of the next carrier meeting on priority air cargo service.

Exhibit A
Page 1 of 2

AC-17 SHIPPERS
UNIFORM AIRBILL
EXHIBIT A

8" or 8½"



AC-16 TRANSMITTABLE
UNIFORM AIRBILL
EXHIBIT A

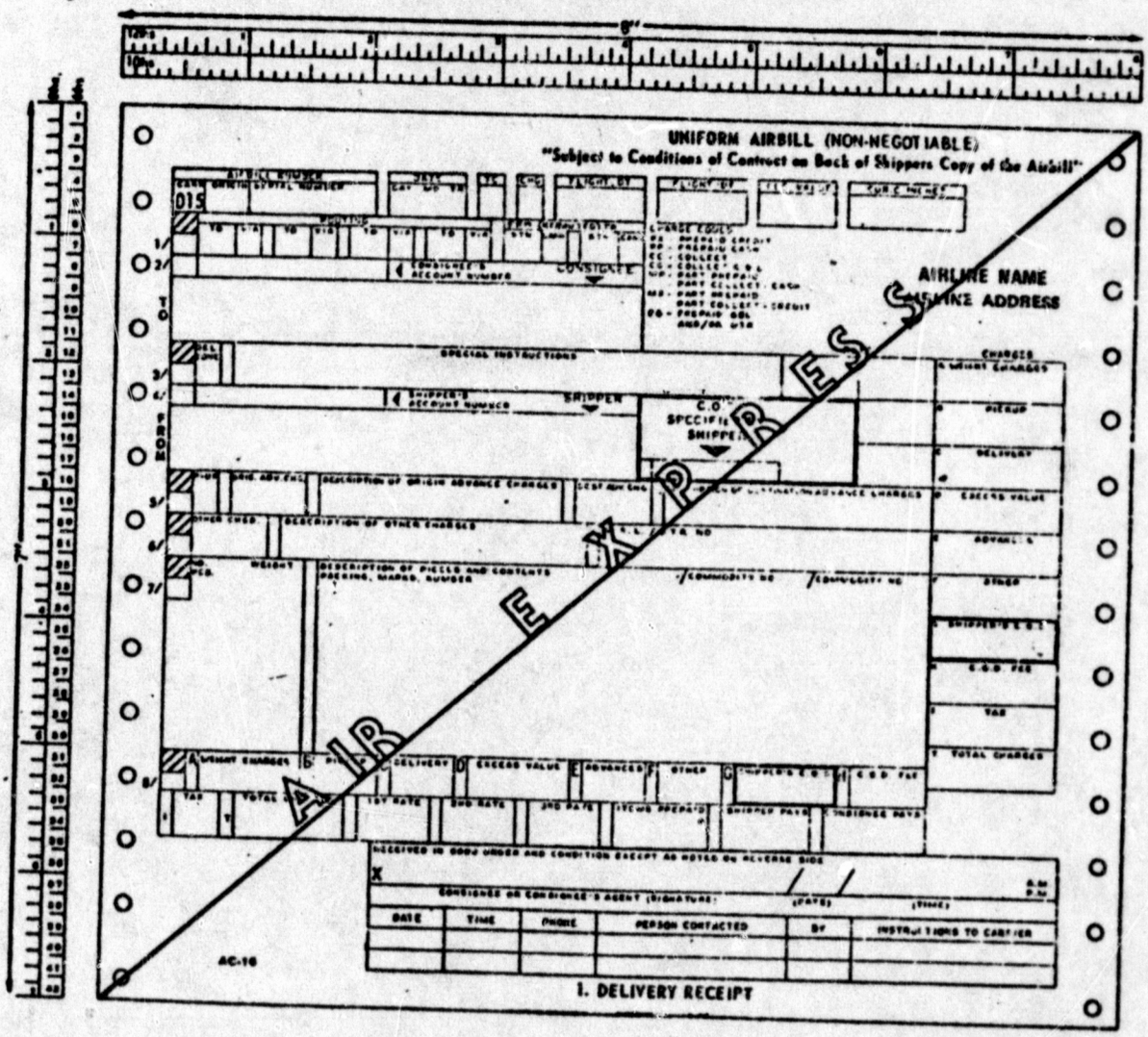


Exhibit B

IATA AC-2

AIR EXPRESS

NAME OF AIRLINE *123 AB

AIR CARGO TRANSFER MANIFEST

No. (9) (SERIAL NUMBER)

AIR (1) DATE (2) TRANSFERRED TO (3) (NAME OF RECEIVING CARRIER)

AIRBILL OR AIRWAYBILL NUMBER	AW/B DESTINATION AIRPORT	NO. OF PIECES	WEIGHT (LBS.)	REMARKS
(4)	(5)	(6)	(7)	(8)
		(10)	(10)	

NOTE: Also approved by I.A.T.A. for International Use

TRANSFERRED BY (11) (TRANSFERRING CARRIER)

BY (12) (SIGNATURE)

ORIGINAL DUPLICATE	TRANSFERRING CARRIER
TRIPLICATE QUADRUPLICATE	RECEIVING CARRIER

1

ABOVE SHIPMENT(S) RECEIVED IN FULL AND APPARENT GOOD ORDER AND CONDITION EXCEPT AS NOTED IN "REMARKS" COLUMN.

RECEIVED BY (13) (NAME OF RECEIVING CARRIER)

BY (14) (SIGNATURE)

TIME (15) DATE (16)

8 1/2"

The carrier three character numeric code and the two character alpha code.

Exhibit C

8½"

Form AC-4

ABC AIRLINES, INC. NON-DELIVERY NOTICE

CONSIGNEE NOTIFIED OF ARRIVAL: _____
DATE PREPARED: _____

AIRBILL NUMBER

PLACE AND DATE OF ISSUE OF AIRBILL

SHIPPER	CONSIGNEE
STREET ADDRESS	STREET ADDRESS
CITY STATE ZIP	CITY STATE ZIP

NO. PKGS. PCS.	DESCRIPTION OF CONTENTS	WEIGHT	DATE SHIPMENT ARRIVED

SUMMARY OF CHARGES

ORIGINAL AIRBILL CHARGES DUE IF ANY	
OTHER	
RETURN CHARGES IF APPLIED	
TOTAL CHARGES DUE	
STORAGE RATE $_____ PER DAY	

THE ABOVE SHIPMENT UNDELIVERABLE BECAUSE:

- ☐ NO TELEPHONE CONTACT AVAILABLE
- ☐ UNABLE CONTACT CONSIGNEE
- ☐ REFUSED
- ☐ INCORRECT ADDRESS
- ☐ UNCLAIMED
- ☐ OTHER (EXPLAIN)

CONSIGNEE PREVIOUSLY NOTIFIED OF ARRIVAL

STORAGE CHARGES ACCRUING AGAINST SHIPMENT

Notice is hereby given as required by governing tariffs that carrier may dispose of shipment unless disposition instructions are received within 30 days from date of this notice.

AIR EXPRESS

ABC AIRLINES, INC.
(ENTER MAILING ADDRESS)

DELIVERY INSTRUCTIONS ARE REQUESTED WITHIN 10 DAYS TO:

Exhibit D

FORM AC-12

_____ AIRLINES, INC.

REGISTER OF AIR FREIGHT SHIPMENTS

☐ AGENT'S REPORT (DELIVERY)

☐ DRIVER'S REPORT (PICK-UP)

STATION_____

DATE_____

AGENT (OR) DRIVER_____

AIRBILL NUMBER	SHIPPER/CONSIGNEE	PIECES	/	WEIGHT	CARTAGE CHARGES		CASH COLLECTIONS		REMARKS
TOTALS									

AIR EXPRESS

THE ABOVE DESCRIBED SHIPMENTS ARE RECEIPTED FOR:

☐ IN FULL COUNT AND APPARENT GOOD CONDITION EXCEPT AS NOTED.

☐ IN BULK, SUBJECT TO LATER COUNT AND INSPECTION.

CASH AMOUNT OF $_____

RECEIVED BY_____

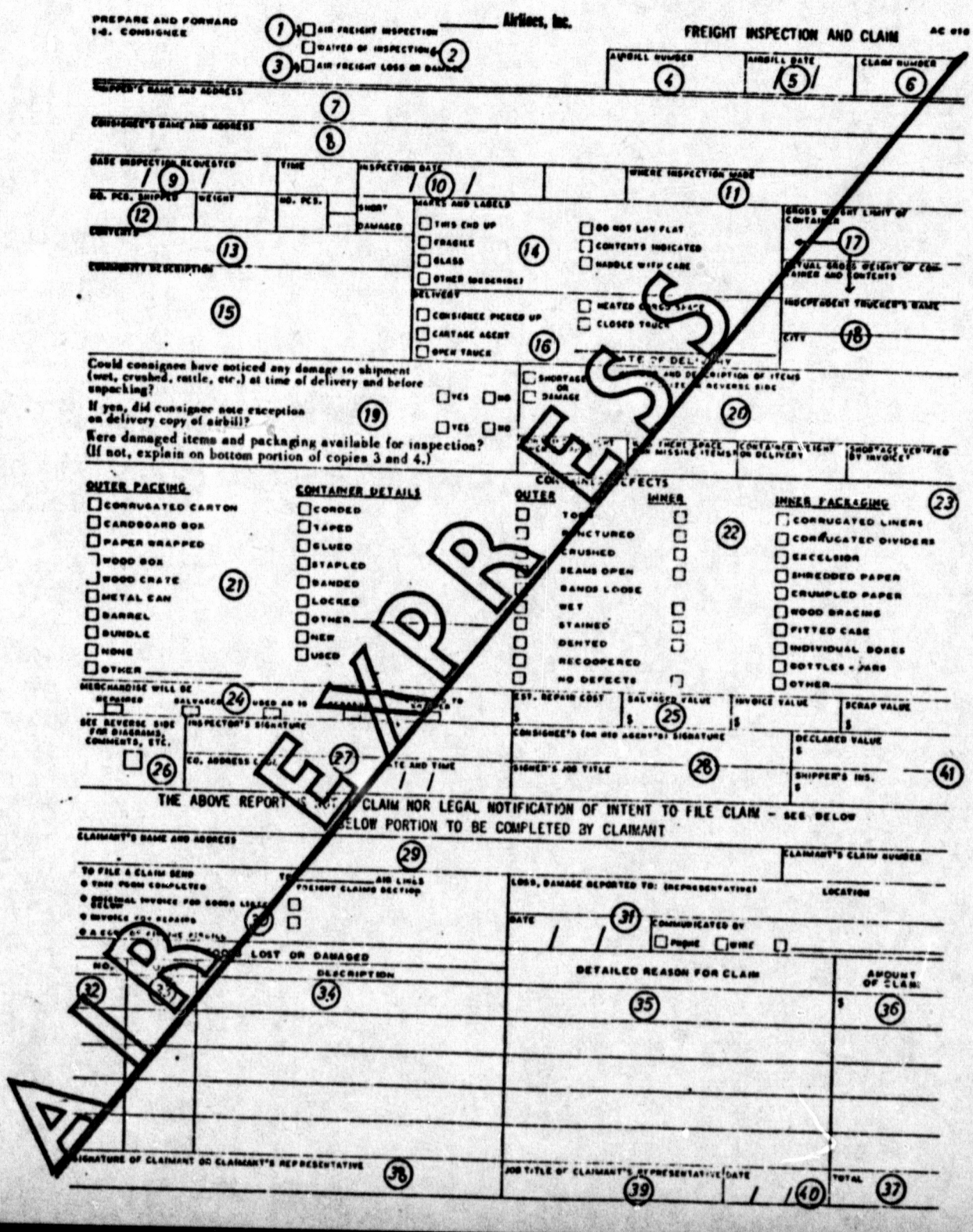
DATE_____

RUN NO. ☐

BY_____

Exhibit E

AC-18 FREIGHT INSPECTION AND CLAIMS FORM



PRIORITY AIR CARGO
TRANSFER TIMES
(IN HOURS AND MINUTES)

It is the goal of the carriers that transfers will be made at the following airports within the time noted.

Akron	1:30
Albany	1:30
Albuquerque	1:30
Atlanta	2:45
Baltimore	2:15
Birmingham	1:30
Boston	2:30
Buffalo	2:00
Chicago: O'Hare	3:30
Midway	2:00
Charlotte	1:50
Cincinnati	2:30
Cleveland	2:30
Colorado Springs	1:30
Columbus, Ohio	1:30
Dallas	2:45
Dayton	2:30
Denver	2:30
Des Moines	1:30
Detroit	2:30
Durham	(See Raleigh, N.C.)
Erie	1:30
Evansville	1:30
Ft. Lauderdale	1:50
Grand Rapids	1:30
Greensboro	1:30
Hartford	2:15
Houston	1:50
Huntsville	1:30
Indianapolis	2:30
Jackson, Miss.	1:30
Jacksonville	2:15
Kansas City	2:45
Knoxville	1:30
Little Rock	1:30
Los Angeles	2:45

PRIORITY AIR CARGO
TRANSFER TIMES
(IN HOURS AND MINUTES)

Louisville		2:30
Madison		1:30
Melbourne		1:30
Memphis		2:15
Miami		2:45
Milwaukee		2:15
Minneapolis/St. Paul		2:00
Nashville		1:30
Newark		2:30
New Orleans		2:30
New York:	LaGuardia	2:30
	JFK	3:30
Norfolk		1:30
Oakland		1:30
Oklahoma City		1:30
Omaha		1:30
Orlando		1:30
Pasco-Richland		1:30
Philadelphia		2:30
Phoenix		2:00
Pittsburgh		1:30
Portland		1:30
Providence		1:30
Raleigh		1:50
Richmond		1:30
Rochester		1:30
Sacramento		1:30
St. Louis		2:30
Salt Lake City		1:30
San Antonio		1:30
San Francisco		2:30
Seattle		2:30
Syracuse		1:30
Tampa		2:00
Toledo		1:30
Tulsa		1:30
Washington, D.C.:	National	2:30
	Dulles	2:15
West Palm Beach		1:30
Wichita		1:30

TRADE PRACTICE MANUAL
STANDARD FREIGHT PRACTICES
APPENDIX B

RESOLUTION 210.35
TRACING

A trace to locate an interline shipment which has apparently gone astray should be initiated only after a reasonable time has elapsed. This will generally be 24 hours after receipt of the shipment by the first airline.

(NOTE: Tracing is not to be confused with a simple request to determine status of forwarding of a shipment during any period less than 24 hours as noted above.)

Such messages shall be acted upon on receipt, and replies sent within three hours. Originators of trace messages will not follow up until at least three hours after filing time of the first trace message.

FORMAT

Interline trace message incorporates CARGO-IMP codings and will be sent in the following format:

	ITEM	EXAMPLE
Line 1.	Address/To	ORDFFUA - JFKFFTW
2.	Address/From	MSPFFNW
3.	Trace Action/Section Locator	FFT - Air Express
4.	• Airbill Number	012 MSP 1736245 MSPBOSNW221/ 18 JUN
	• Origin/Destination	MSP BOS
	• Origin Flight & Date	NW221/18 JUN
	If Unavailable... The Execution Date of the Airbill	18 JUN

5.	• Action/Information Required in Plain English Language or in Approved Codes.	MSCA 02PC0200L
	• Pieces/Weight/Commodity Minimum of 2 Digits for Pieces and 4 Digits for Weight. L - Pounds or K - Kilograms. State Commodity in Plain Language or Cargo-Imp Codes. If ULD - Indicate IATA Identification Code, If Not Known, Indicate Type of Unit.	01PC0200L
*6.	Dimension or Volume 1	
7.	Additional Information as Required to Cover Circumstances	

---

*Optional
1/For live animal shipments, shipments exceeding the pallet length or shipments which are unusual in any other manner, the dimension must be stated. Volume is acceptable on large multiple piece shipments.

Exhibit V

Air Transport Association of America

1709 New York Avenue, N.W.
Washington, D. C. 20006
Phone (202) 872-4000

May 31, 1974

TO:
- Air Carriers eligible to participate in discussion concerning Industry-Wide Priority Air Cargo Service (See Exhibit I)
- Docket Section - CAB (Docket 26238)
- Interested parties who have requested minutes and agendas

SUBJECT: NOTICE AND AGENDA - THIRD MEETING - INDUSTRY-WIDE PRIORITY AIR CARGO SERVICE - DOCKET 26238, WASHINGTON, D. C., JUNE 11, 1974, 9:00 A.M.

Pursuant to C.A.B. orders; 74-2-118 and 74-4-1, in Docket 26238 granting authority of inter-carrier discussions concerning the creation of an Industry-Wide Priority Air Cargo Service, the third meeting is hereby scheduled for June 11, 1974, beginning at 9:00 a.m. at the Air Transport Association of America, Conference Rooms A, B, and C, 1709 New York Avenue, N. W., Washington, D. C. This June 11th date was established at the second meeting of the air carriers and reported in the minutes of that meeting in the memorandum dated May 23, 1974.

Order 74-4-1 authorizes air carriers to hold separate meetings with observers limited to; the Civil Aeronautics Board, Department of Transportation, and the Department of Justice.

Participating air carriers are required to provide for the consideration of oral and written presentations by other interested parties before the start of or during each meeting and after tentative conclusions have been reached.

For those interested in making oral or written presentations for this third meeting, please contact Mr. G. J. Godbout, Director - Cargo Services, Air Transport Association, telephone 872-4129. An informal time limit of ten (10) minutes has been established for oral presentations. Each oral presentation should be accompanied by a written paper which may be in summary form. Should you desire more than ten (10) minutes, please notify the undersigned of the time you will require as soon as possible.

Pursuant to CAB orders 74-2-118 and 74-4-1, a charge of $5.00 for each set of minutes for three meetings has been established. Those interested in subscribing to the minutes of the Air Transport Association's Priority Air Cargo Service Meetings (Docket 26238), and who have not done so, may complete the attached form, shown as Exhibit III, and return it to this office along with your check payable to the Air Transport Association.

Attached is the agenda for the third meeting.

G. J. Godbout
Director
Cargo Services

GJG:jdw

Attachment

AGENDA

THIRD MEETING

DOCKET 26238

PRIORITY AIR CARGO SERVICE

Item 1 Report Of The Ad Hoc Group On Standards For Transfer Times And Forms To Be Used For Inter-Line Handling Of Priority Air Cargo

At the second meeting of the air carriers, the Chairman of the special industry task force on the Inter-line Handling of Priority Air Cargo Service presented a report which is attached as Exhibit IV of the minutes dated May 23, 1974. The concept of the recommendations as contained in this report was tentatively adopted unanimously by the discussants. Other interested parties will be given an opportunity to comment on this concept prior to final agreement by the participants.

Item 2 Report Of The Task Force On Common Priority Air Cargo Terminal Facilities And Administration By A Third Party At Selected Cities

At the last meeting, a task force of those carriers interested in a common operator system was appointed. Two meetings of this task force were held on May 21, 1974 and May 30, 1974.

The report and tentative bid form for a common operator is attached as Exhibit II. Interested parties and prospective bidders will be asked to comment on this report.

Item 3 Priority Distinction Within The Priority Air Cargo Service - Treatment Of Commodities

Restrictions, if any, on high value items and live animals.

A carrier suggest that there not be any distinction and that all commodities be treated the same.

Item 4 Form Of Tariff

Airport to airport with provisions for door to door.

One carrier proposed that carriers not issue any new tariffs but use existing air freight tariffs.

Item 5 Other

CARRIERS ELIGIBLE TO PARTICIPATE IN DISCUSSIONS CONCERNING INDUSTRY-WIDE PRIORITY AIR CARGO SERVICE

DOCKET 26238

Air Canada
Air France
Airlift
Airwest
Alaska
Allegheny
American
Aspen
Braniff
Continental
Delta
Eastern
Flying Tiger
Frontier
National
New York
North Central
Northwest
Ozark
Pan American
Piedmont
San Francisco-Oakland
Seaboard
Southern
Texas International
Trans World
United
Western

Air Transport Association ata OF AMERICA

1709 New York Avenue, N.W.
Washington, D. C. 20006
Phone (202) 872-4000

May 30, 1974

SUBJECT: REPORT OF TASK FORCE ON COMMON PRIORITY AIR CARGO OPERATIONAL TERMINAL FACILITIES

At the second meeting of the Industry-Wide Priority Air Cargo Service held May 16, 1974, a task force was appointed for the study of the economics and feasibility of common priority air cargo terminal facilities and administration by a third party at selected cities. The following were appointed to the task force:

George Shipman	-	AA	(Chairman)
Gordon Duthie	-	AC	
Howard Brooks	-	SB	
John Mitchell	-	EA	
Ken Edwards	-	CO	
Jack Murphy	-	TW	
George Groves	-	ACI	

As noted also in the minutes of the second meeting, the task force met on May 21, 1974, at 10:00 a.m. at the Air Transport Association of America. Present were:

G. Shipman	-	AA
R. Corsiglia	-	AC
G. Groves	-	ACI
N. Spicer	-	AL
G. Goubout	-	ATA
P. Bessel	-	CAB
T. Moore	-	CAB
B. Smith	-	CAB
M. Anderson	-	CO
W. Enright	-	EA
J. Mitchell	-	EA
H. Brooks	-	SB
W. Clarke	-	TW
E. Hunter	-	UA

The carriers demonstrating an interest in this joint operation at this time are:

Air Canada
American Airlines, Inc.
Continental Air Lines, Inc.
Eastern Air Lines, Inc.
New York Airways, Inc.
Northwest Airlines, Inc.
Seaboard World Airlines, Inc.
Trans World Airlines, Inc.
Western Air Lines, Inc.

The representatives present reviewed -

- necessary estimated volume of traffic to be handled
- requirements for terminal operations, including the cities at which this operation would be required
- accounting
- claims administration
- operating procedures
- unitization
- interline transfers
- outbound traffic procedures
- inbound traffic procedures
- exchange of traffic with participating airlines
- telephone service
- tracing
- record maintenance
- pick-up and delivery
- documentation, and
- other general requirements in connection with bids.

Russell S. Bernhard, attorney for the participating carriers, working with the Secretariat, was asked to codify the notes on the above subjects into a tentative bid format. This is shown as Exhibit A.

Air Cargo, Incorporated was requested to work out a cost estimate based on the specifications outlined in the tentative bid form for the carriers to consider in the event the carriers determine that they would themselves provide the combined terminal operation through their Air Cargo, Incorporated organization.

In the absence of a bid, and in cities where two or more participating carriers operate, the carriers plan to work out an arrangement where one of the carriers will be selected to be the common operator.

The tentative bid notice will be made a part of the agenda for the third meeting of the Industry-Wide Priority Air Cargo Service scheduled to be held June 11, 1974. In this manner, not only the shippers and other interested parties, but prospective bidders will be able to appear and comment on the proposed operation. Formal requests for bids will then follow this consideration and discussion at the June 11 meeting.

In view of the need for prospective bidders to determine the volume and extent of services to be provided, bids will be based on carriers who state their intention of being participants at the June 11, 1974, meeting. Interested carriers should supply enplaned and deplaned express pounds at any of the 25 cities served for the period January through September 1973.

The provisions of any agreement will be subject to ATC enforcement.

The task force also met on Thursday, May 30, at 9:30 a.m. to review the tentative bid form.

Present were the following:

George Shipman	-	AA
Robert Corsiglia	-	AC
Eric Gillatt	-	AC
George Groves	-	ACI
G. J. Godbout	-	ATA

Harold Parcti	-	CAB
B. H. Smith	-	CAB
J. Mitchell	-	EA
F. J. Supple	-	EA
Jack Murphy	-	TW
W. Clarke	-	TW
D. Aeschlimann	-	UA

The next meeting of the task force will be held on June 12 at 9:30 a.m. at Air Transport Association headquarters or immediately following the next meeting on Priority Air Cargo on June 11, 1974.

TENTATIVE BID FORM

1. Explanation:

Proposals are solicited for the following purpose: A single organization is required to provide the following services for the participating airlines hereinafter listed:

(a) Airport terminal facilities for priority air express traffic at the 25 cities listed in section 2 of the specifications attached hereto plus (at option of bidder) any other airports served by two or more of the participating airlines;

(b) Administrative services as set forth in the specifications attached hereto, which services will apply to all priority air express traffic of the participating airlines throughout their entire systems, and not limited to only those cities where airport terminal facilities are operated by the bidder.

2. Submission of Proposals:

Proposals to be submitted to G. J. Godbout, Director of Cargo Services, Air Transport Association, 1709 New York Avenue, N.W., Washington, D.C. 20006 on or before July 1, 1974.

3. Proposal Requirements:

(a) All items in specifications must be covered - no exceptions;

(b) Proposal must be executed by an authorized officer of bidder;

(c) Proposal must be a firm offer continuing for at least 60 days for acceptance or rejection by participating airlines.

4. Participating Airlines:

Air Canada; American Airlines, Inc.; Continental Air Lines, Inc.; Eastern Air Lines, Inc.; New York Airways, Inc.;

Northwest Airlines, Inc.; Seaboard World Airlines, Inc.; Trans World Airlines, Inc.; and Western Air Lines, Inc., subject to additions or deletions.

Provisions in the specifications will be subject to air carrier tariff provisions which may vary from carrier to carrier.

5. Method of Selecting Successful Proposal:

The successful proposal, if any, will be selected by a majority of a weighted vote of the participating airlines - based upon domestic freight ton miles for the first quarter of 1974.

SPECIFICATIONS

1. Estimated Volume of Traffic to be Handled:

The carriers estimate that for the nine participating airlines, the total systems volume of traffic would be 6,000 to 12,000 shipments per week at the beginning of the operation, with 40,000 shipments a week by the end of nine months. These volumes are only a best estimate and are subject to considerable fluctuation, up or down. (Considerable discussion was held in connection with the estimated traffic. It was the consensus that a volume equivalent to approximately 25 percent of current express volumes will move on a priority air cargo express operation. The nine interested carriers represent approximately 50 percent of this expected volume based on their current market share.)

2. Terminal Operations:

The proposal must include the operation of joint terminal facilities for the participating airlines at the following 25 airports. The list shows the airports, the hours of operation required for each terminal, and the percentage of the total systems shipments, which would probably be handled at these 25 airports.



City	Time of Operation (24 hours, except as noted)	Percent of Shipments
Atlanta		8.53
Boston	Closed Sunday	4.13
Chicago		16.62
Cincinnati		1.76
Cleveland		4.07
Dallas		4.05
Denver		1.90
Detroit		6.39
Houston	Closed Sunday	1.38
Indianapolis		1.70
Kansas City		1.85
Los Angeles		5.38
Memphis	Closed Sunday	1.81
Miami		1.95
Milwaukee	Closed Sunday	1.05
Minneapolis/St. Paul		2.85
Newark		3.11
New Orleans	Closed Sunday	1.10
New York: La Guardia		1.17
New York: JFK		6.15
Philadelphia	Closed Sunday	2.95
Pittsburgh		3.59
St. Louis		2.62
San Francisco		2.63
Washington, D.C.: National		3.63

3. Accounting:

The operator will be required to provide for all accounting required for all priority air express traffic of all participating airlines, including billing and collecting of credit accounts. The operator will be required to provide for the handling of C.O.D. collections and charges on either a prepaid or collect basis. The operator will also provide for interline settlement between the participating carriers and between such carriers and all other carriers.

4. Claims Administration:

The operator will handle claims administration. Participating airlines will contribute to claims settlement on a revenue proration based on revenue earned unless claims responsibility can be clearly established against the operator or a particular participating airline. Concealed damage claims will be based on the prorate of revenue earned by the operator and each airline participating in the shipment. (Operator revenue earned will be the handling fee charged for the service provided.)

5. Operating Procedures:

On airport terminal

The operator will maintain airport terminals at the required 25 airports (and such other airports as operator may desire) with ramp access by unlicensed vehicles available. Such facilities to be clearly identified with appropriate signs.

6. Unitization:

The operator will be required to unitize all shipments. The main method of unitization will be through the use of a canvas or vinyl fabric numbered bag (with sealable features) of approximately six to eight cubic feet capacity, which bags are to be supplied by operator. LD (lower deck) containers may be used for wide body aircraft and freighter containers may be used for freighter aircraft, with such containers being furnished by the airlines. A tag will be used to identify containers for

both online and interline traffic, similar to the presently used baggage tag, to designate destination and carrier. The operator will not containerize outsize pieces and such traffic as live animals, odd size pieces and hazardous material. The operator will manifest all traffic within each container and place one copy of the manifest and all accompanying shipping documents in a pouch within the container.

7. Interline Transfers:

The operator will receive transfers of priority air express from all carriers (not limited to participating airlines) and will deliver interline transfer of such traffic to air carriers other than the participating airlines, including preparation of transfer manifests. The operator will handle interline settlements between the participating airlines and any other air carriers with whom traffic has been interchanged.

8. Outbound Traffic:

The operator will receive traffic at the airport terminal from all carriers, pick-up and delivery operators and direct shippers and will prepare, when necessary, the express airbill. The operator will perform the rating and will determine credit status based on credit experience. The operator will pay any charges (as an advance) to any transportation company who provided prior transportation.

Traffic will be tendered at the airport terminal to the participating airline in unitize form as specified in section 6. The operator will require the shipper to designate at least the first participating airline in the routing, but will complete a routing requiring interline connection if the shipper has not done so, routing the shipment over the lines of a participating carrier providing the earliest arrival at destination. Adequate and complete information will be provided the shipper on routing when requested.

The operator will provide special arrangements for the feeding and watering of live animals. The provisions for live animals will include safe and secure temperature control areas within the terminals. The operator will provide for the safe storage of high value shipments.

9. Inbound Traffic:

Each participating airline will bring traffic to the airport terminal of the operator. The operator will sort, store, notify consignee (if required), make appropriate cash collections and select onward carrier for delivery as required. The operator will advance charges to onward carrier as required. The operator will also be responsible for clearance with customs of "in-bond" cargo. The operator will provide special arrangements for the feeding and watering of live animals. The provisions for live animals will include safe and secure temperature control areas within the terminals. The operator will provide for the safe storage of high value shipments.

10. Exchange of Traffic with Participating Airlines:

Traffic in flight-ready units (bags, LD containers, etc.) will be tendered to the participating airline by the operator on a manifest listing the unit numbers. Similarly, the participating airlines will list the unit numbers tendered to the operator on a running "turn in" manifest. On high value shipments, the individual manifest entry will be signed by the party receiving the shipment.

11. Telephone Service:

The operator will provide telephone service for pick-up and delivery requests, information requests, including tracing; using a common telephone number for the participating airlines.

12. Tracing:

Adequate records will be maintained by the operator to determine shipment status on request. Operator will be required to maintain an ARINC connected teletype sender/receiver or other suitable equipment, which will permit the operator to communicate with the participating airlines and with other stations.

13. Record Maintenance:

The operator will maintain records on traffic handled for each participating airline, by segment. Such records, as a minimum, will include shipments, weight, pieces and flight in summary form including transfer informations by carrier. (A specific form will be developed for this management information.)

14. Pick-Up and Delivery:

Pick-up and delivery services may be bid separately by operator, and the operator should state the impact on his proposal if participating airlines should decide to use their own pick-up and delivery service rendered through Air Cargo, Inc.

15. Documents:

The participating airlines will use a common document with an identifying name of the service, including the words "Air Express." Required documents will be provided by the participating airlines.

16. General:

The proposal for providing the services as an operator will require that a price be stated per shipment and per pounds for handling at individual airport terminal. A separate price per shipment will be stated for each of the administrative services (accounting and claims administration, accessorial services, etc.). The bidder may, at his option, bid on the service at the following airports and/or any other airport he chooses to specify:

Akron
Albany
Albuquerque
Baltimore
Birmingham
Buffalo
Charlotte
Colorado Springs
Columbus, Ohio
Dayton

Des Moines
Durham
Erie
Evansville
Ft. Lauderdale
Grand Rapids
Greensboro
Hartford
Huntsville
Jackson, Miss.
Jacksonville
Knoxville
Little Rock
Louisville
Madison
Melbourne
Nashville
Norfolk
Oakland
Oklahoma City
Omaha
Orlando
Pasco-Richland
Phoenix
Portland
Providence
Raleigh
Richmond
Rochester
Sacramento
Salt Lake City
San Antonio
Seattle
Syracuse
Tampa
Toledo
Tulsa
Washington, D.C.: Dulles
West Palm Beach
Wichita

The operator will be subject to subrogation of fines and penalties incurred by participating carriers for non-performance under the terms of this agreement.

Specific forms and procedures as outlined in report of ad hoc group will also apply to operator.

The following additional information should also be furnished by each bidder:

(a) names of officers and directors (including names of air carriers for which they are officers or directors);

(b) capitalization of the corporation;

(c) list of other activities in which the corporation or any parent or subsidiary corporation is engaged. Include a statement on whether any parties are engaged in air freight forwarding operations, either within the U.S. or abroad.

Exhibit W

June 11, 1974

TO: AIR TRANSPORT ASSOCIATION OF AMERICA

COMMENTS ON BEHALF OF
REA EXPRESS, INC.

These comments are based upon the airlines' notice and agenda dated May 31 relating to airline discussions concerning the creation of an industry-wide priority cargo service (CAB Docket 26238). They are submitted without prejudice to REA's position in the Air Express Service and Rates cases (CAB Dockets 22388 and 22387).

Item 1

A. Order 74-4-1 does not authorize the use of task forces. That order requires detailed minutes, presentations by shippers before each meeting, notices of agenda of each meeting, etc. Task forces meetings have occurred in violation of these requirements and are a means of evading the Board's order.

B. While REA recognizes that the airlines are acting only because the Board has created difficulties for REA, the report of the industry task force referred to in Item 1 could appropriate Air Express procedures and the Air Express name without the consent of REA. Confusion and deception of the shipping public regarding the service would be an inevitable result.

Appropriation of a name and business which has been developed for a period of over forty years, is a predatory, deceptive and unfair competitive practice.

Item 2

A. REA certainly agrees that an independent third party is essential to Air Express service. REA has provided all the services specified by the task force in its Air Express operation as well as a host of additional services, particularly the promotion and development of the priority service. Effective interline priority service requires REA participation; only REA currently has the experience necessary to handle the complex administrative, terminal, claims and collection problems involved. Moreover, the third party operator selected must work actively to promote and develop the priority market. This function can not be performed by Air Cargo, Inc. Thus, REA believes that the airlines must conclude (and inform the Board) that a single independent operator, acting as an indirect air carrier, is essential to fulfill the responsibilities placed on the carriers under paragraph 6 of the Board Order 73-12-36.

B. The solicitation of bids at this time is premature. REA expects final action on its request for a stay within the next couple of weeks.

C. Order 74-4-1 does not entitle Air Cargo, Inc. to be present at any private meetings. Further, the airlines should consider whether Air Cargo, Inc. should be eliminated from the invitations to bid on the basis of a highly probable conflict of interest. The effect of Air Cargo, Inc.'s participation as a common operator would be to take the jobs performed by REA's employees and give them to the truckers. Air Cargo, Inc. is largely a conduit for the provision for pickup and delivery by a large number of trucking companies. Air Cargo, Inc. has inadequate and very limited facilities, equipment or employees to serve as a common operator.

D. Order 74-4-1 stated that all agreements reached as a result of these meetings must be submitted to the Board for prior approval before they can become effective. Any agreed upon bidding procedure cannot be implemented until its details have been submitted to the Board and approved by it. The invitations to bid should be deferred until detailed specifications have first been submitted to the shippers and other interested parties for comments, and approved by the Board.

E. The bid procedure is grossly unfair because of its lack of specificity. In effect, the bid procedure would permit the airlines to sell Section 412 exemption authority, which belongs to the Board, in advance of any

determination of fitness or adequacy by the Board, by putting "all or nothing" pressure on competing bidders, in derogation of the Board's authority to establish rates based on costs.

F. The bid proposal itself anticipates inadequate service to the public. It assumes that even after nine months a loss of 75% of Air Express traffic will be experienced. This means that 4-1/2 million of the shipments now handled in each year by Air Express will be abandoned, to find their own way, presumably because of less satisfactory service and drastic rate increases.

G. Further the bid procedure is unworkable. It assumes that the airport agent may be different from the pickup and delivery agent. This multiplicity of agents would negate the single-company responsibility and single bill service that is essential for Priority service. There is no provision for marketing and sales efforts, for any detailed description of pickup and delivery service, or for the adequate handling of difficult shipments such as live animals, blood, kidneys, eyeballs, vaccines, etc. The burden is on the airlines to establish that their proposed service supplanting Air Express will be as comprehensive and provide the same services, instead of merely skimming

the cream off the traffic. This the proposed procedure utterly fails to do. Only nine airlines are mentioned as being currently interested, yet Board Order 73-12-36 specified that all airlines must offer the priority cargo service supplanting Air Express with adequate inter-airline coordination.

H. The bid proposal fails to provide specifications which would elicit genuine bids. It fails to provide enough information to permit the bidders to determine their costs. The bid proposal fails to provide for information as to terminal facilities to be used. There is no indication whether Air Express airport facilities will be used and what financial arrangements will be made for them. There is no indication of the length of the contract, or the method of termination. Further, the indefiniteness as to multiple agents, and the possibility of separate pickup and delivery and airport agents make it impossible for any bidder to submit an intelligent bid.

The procedure proposed transparently favors Air Cargo, Inc. Since it is wholly owned by the airlines, and controlled through their stock ownership, it may bid without being concerned about the lack of specificity in the bid procedure. The evident disposition to favor Air Cargo, Inc. is indicated by the fact that only it has been requested to present cost estimates.

I. REA's Bid Proposal

REA should have the right of first refusal to perform the services in question on whatever basis is ultimately approved.

Item 3

As we have stated at prior meetings, only service for all commodities and communities presently served will be adequate. REA is the only company which has enough experience and facilities to be able to do this.

Item 4

Order 74-4-1 gives the airlines no authority to discuss tariff matters and this question must be stricken off the agenda.

Exhibit X

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 14th day of May, 1974

Authorization of inter-carrier DISCUSSIONS CONCERNING INDUSTRY-WIDE PRIORITY AIR CARGO SERVICE	:	Docket 26238

ORDER DENYING PETITION FOR RECONSIDERATION

REA Express, Inc. (REA) has filed a petition for reconsideration of Order 74-4-1 (April 1, 1974), which was an order on reconsideration of Order 74-2-118 (February 27, 1974).

Order 74-2-118 ruled on a petition of 28 direct airlines participating in the present air express service for authorization to discuss creation of a new priority air cargo service. 1/ After considering the filings of all parties, including REA, by Order 74-2-118, the Board authorized those discussions, subject to conditions. The airlines then filed a petition for reconsideration and modification of some of these conditions. Several parties, including REA, filed answers to this petition. Thereafter, Order 74-4-1 modified the conditions originally imposed. Then REA filed the present petition for reconsideration of Order 74-4-1.

No answers to REA's petition have been filed.

REA's present petition alleges that discussions which involve only inter-direct air carrier procedures will not produce an adequate substitute for air express; that REA should be given the first opportunity to perform the ground services related to priority air cargo service; and that if REA is not allowed to participate as a party in interest in the formulation of the new service, its property and the jobs of its employees will be taken away without due process of law.

1/ The request for such discussion authorization stemmed from the Board's decision in the Express Service Investigation, Docket 22388. (See Order 73-12-36 (December 7, 1973), at pages 38-39, and 41, finding number 6. See, also, Order 74-5-25.)

REA's first two contentions are premature since the Board can evaluate the adequacy of the new priority service when the agreement is submitted, and consider, at that time, whether the arrangements for ground services are adverse to the public interest. REA will have ample opportunity to present its views in this regard at the appropriate time. REA's third contention--that the discussion procedure established by the Board constitutes a denial of due process--was previously raised by REA 2/ and rejected by the Board, and REA has submitted no further facts or argument to persuade us that our original decision was incorrect.

As detailed in Order 74-4-1, the Board has imposed elaborate procedural requirements on these discussions to protect the interests of all prospective users of the airlines' priority service 3/ and the conditions set forth in that order are, we believe, fair to all concerned parties, and are the most conducive to the prompt dispatch of these discussions.

ACCORDINGLY, IT IS ORDERED THAT:

The petition of REA for reconsideration of Order 74-4-1 be and it hereby is denied.

By the Civil Aeronautics Board:

EDWIN Z. HOLLAND

Secretary

(SEAL)

2/ See REA answer in opposition to reconsideration, filed March 18, 1974, pp. 3-4.

3/ For example, Order 74-4-1 authorizes interested persons, including REA, to receive notice, agendas and detailed summaries of the airlines' discussions; permits interested persons to comment on the course of action the airlines are taking before a final decision is reached on an agreement and, of course, permits interested persons to comment on any agreement that may be filed with the Board before action is taken by the Board thereon.

Exhibit Y

JOINT COMMITTEE AIR EXPRESS

Co-Chairmen:
ROBERT H. REED for the Airlines
J. A. TETER for REA Express
Secretary:
G. J. GODBOUT

April 19, 1974

JOINT COMMITTEE MEMORANDUM NO. 5

TO: Joint Committee for Air Express

SUBJECT: NEGOTIATION SESSION PROGRESS REPORT AND UPDATE OF REA FINANCIAL POSITION

REA Express and several air carriers have requested that information concerning the negotiating meeting held on March 28, 1974 be distributed. The report follows. REA has requested that this information be disseminated to all appropriate and interested officials of the airlines.

A. Weekly Advance Payments and Debt Payment Schedule

A memorandum of understanding, copy attached, was signed by Tom Kole for REA and Otto Becker as Chairman of the airlines Negotiating Committee. The memorandum provides for REA to continue weekly advance payments to the airlines through January 31, 1975. This is subject to the Board granting an extension to that date.

Subject to a further extension beyond January 31, 1975, the memorandum provides for a continuation of the weekly advance payments and a monthly schedule through June 1975 for repayment of the December 1973 amount due the carriers. The current amendment to the agreement provides for a return December 31, 1974 to the former payment schedule under which weekly advance payments would cease and the amount for December would be due as a lump sum payment January 30, 1975. This will effectively reduce the airlines exposure steadily each week until July 1975 when REA will commence paying the air carriers their share of air express revenue every 15 days.

B. Termination Clause

Language was developed, copy attached, which would establish the Air Express Agreement as a "continuous" document rather than one of a five-year duration. Airlines or REA would have the right to withdraw on the anniversary date by giving one year's notice.

C. Payment for Receipt and Delivery of Air Express From or To the Public

REA has agreed to pay a minimum of $2.00 per waybill to the airlines performing origin or destination handling of air express where REA does not have airport offices nor personnel. This will start 30 days after CAB action on the petition for extension of the termination date.

D. Tariff Approach

General agreement was reached on changing the current Door to Door tariff structure to a concept of an airport to airport charge and a REA pick-up and/or delivery charge for air express shipments. Specifics as to the applicable cost related factors will be developed by the Tariffs Subcommittee. It is contemplated that a revised tariff would be filed shortly after approval of the Air Express Committee.

E. Substitute Service

An ad hoc group was appointed to develop procedures for handling and payment for substitute service which does not penalize the air carrier. (The ad hoc group has met and a report will be given at the next meeting of the Negotiating Committee).

F. Tariff Publishing Agent

After review of costs and operation of the tariff publishing agent, it was agreed that Tom Miano of REA should retain this function. Provisions would be inserted into the agreement which will require written concurrence from both parties on any changes to the Air Express tariff. The title of the person authorized to sign for the airline parties would also be inserted in the Agreement.

In addition, Mr. Kole will give written instructions to Mr. Miano concerning these provisions, a copy of which will be given to the air carriers.

G. Next Meeting

The next meeting of the Negotiating Committee is scheduled Tuesday, April 23, 1974, at REA Headquarters in New York. Discussions are planned on a marketing plan and further discussion will be held on the proposed tariff approach.

UPDATE OF REA FINANCIAL POSITION

(A) In February they had a profit of $500,000, primarily because of the sale of some stock valued at approximately $1 million. They had originally projected $500,000 loss from operations.

(B). In March they hit their projected $570,000 profit from operations.

(C) They are current on all Air Express COD payments.

(D) They remain current on their repayment schedule to the air carriers. They remain current on advance payments to the air carriers.

G. J. Godbout
Secretary

GJG/jw
Attachment

MEMORANDUM OF UNDERSTANDING BETWEEN REA EXPRESS AND THE AIRLINES NEGOTIATING COMMITTEE

(1) If the CAB grants extension of the effective date of its Order in the Express Service Case from June 5, 1974, to January 31, 1975, REA Express will continue to make advance payments to the airlines through January 31, 1975.

(2) If the CAB permits air express service to continue beyond January 31, 1975, under a revised agreement, REA Express and the airlines will amend the debt payment schedule to provide for a continuation of the existing prepayment, principal payments, and interest payments on the remaining debt through June, 1975. Commencing with July, 1975, REA will pay the airlines their share of air express revenues on a semi-monthly basis as follows: on the 31st of each month REA will pay the airlines for the first fifteen days of that month, and on the 15th day of each month REA will pay the airlines for the balance of the preceding month.

Executed this 28th day of March, 1974.

REA Express

by Tom Kelly

Airlines Air Express Negotiating Committee

by

TERMINATION CLAUSE

This agreement shall be of continuous duration, subject to the right of REA Express and/or any airline party to terminate its participation in this Agreement effective upon any anniversary date of this Agreement by serving upon all other parties to the Agreement at least twelve months prior to such termination date written notice of such determination to terminate. Any party receiving such notice shall have the right within thirty days after such receipt to serve upon all other parties its notice of termination effective upon the same anniversary date.

Exhibit Z

BEFORE THE
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

EXPRESS SERVICE INVESTIGATION Docket 22388

MOTION FOR LEAVE TO FILE AN
OTHERWISE UNAUTHORIZED DOCUMENT

RFA EXPRESS, INC. (RFA), pursuant to Rule 4(f) of the Board's Rules of Practice, moves for leave to file an otherwise unauthorized document, viz. the attached Motion for Extension.

Order 73-12-36 ordered the termination of Air Express effective June 5, 1974. That order was based, in large part, on the Board's determination that RFA and the airlines participating in Air Express service (Airlines) would not be able to agree on a method of continuing the service. However, after the Petition for Reconsideration of Order 73-12-36 and Answers thereto were filed, RFA and the airlines commenced negotiations to resolve their differences over Air Express, so that the service can continue. Those negotiations are being actively conducted. To give the parties time to reach

an agreement, the effective date by which Air Express would otherwise be terminated must be deferred. Accordingly, REA requests leave to file the attached Motion to request such an extension.

WHEREFORE, REA Express, Inc. moves for leave to file the attached Motion.

Respectfully submitted,

Craig Mathews

Craig Mathews

John S. Hoit

John S. Hoit

LEVA, HAWES, SYMINGTON, MARTIN
& OPPENHEIMER
815 Connecticut Avenue, N. W.
Washington, D. C. 20006
Telephone: (202) 298-8020

Counsel for
REA EXPRESS, INC.

Of Counsel:

Arthur M. Wisehart
Peter G. Wolfe

March 26, 1974

BEFORE THE
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

EXPRESS SERVICE INVESTIGATION Docket 22388

MOTION FOR EXTENSION

By Order 73-12-36, dated December 7, 1973, the Board ordered the termination of Air Express, effective June 5, 1974. The Board's primary reason for terminating Air Express was that REA Express, Inc. (REA) and the airlines participating in Air Express (Airlines), the Air Express partners, could not agree on the terms for continuation of Air Express (Order 73-12-36, pp. 23-24).

REA and the Airlines are now actively negotiating with a view to eliminating their differences and continuing Air Express service. It will, however, take some time to determine whether these negotiations will prove fruitful. Meanwhile, in order to allow the parties to have an opportunity to negotiate, REA requests the Board to permit Air Express to continue until January 31, 1975. A poll of the Airlines has been taken, and we have been informed that the Airlines support this request.

It would be a tragedy for Air Express to be forced to terminate while there is a possibility of saving it. The importance of the continued survival of Air Express was specified in REA's Petition for Reconsideration of Order 73-12-36, and need not be reiterated here. In addition, since REA's Petition for Reconsideration was filed, REA has been swamped by shippers inquiring about the future of Air Express, and expressing a vital need for the service. This is especially critical in view of today's energy crisis and reduced flight availability. With the current negotiations proceeding positively, there is a high probability that the partners to the Air Express Agreement can re-create a viable much needed service that satisfies the desires of the CAB, and the shipping public. The Board should therefore grant the requested permission to continue Air Express so that negotiations by the parties to the Air Express Agreement will be able to remedy the primary factor that caused the Board to disapprove the Agreement and thus preserve Air Express.

WHEREFORE, REA EXPRESS, Inc. moves that Air Express be permitted to continue until January 31, 1975.

Respectfully submitted,

Craig Mathews

Craig Mathews

John E. Rolt

Of Counsel:

Arthur M. Wisehart
Peter G. Wolfe

March 26, 1974

LEVA, HAWES, SYMINGTON, MARTIN & OPPENHEIMER
815 Connecticut Avenue, N. W.
Washington, D. C. 20006
Telephone: (202) 298-8020

CERTIFICATE OF SERVICE

I hereby certify that I have this 26th day of March, 1974, served a copy of (a) Motion for Leave to File an Otherwise Unauthorized Document and (b) Motion for Extension by mailing a copy thereof by first class mail, postage prepaid, to all parties of record to this proceeding.

John S. Hoff

Exhibit AA

Before the

CIVIL AERONAUTICS BOARI

Washington, D.C.

EXPRESS SERVICE INVESTIGATION
DOCKET 22388

MOTION FOR LEAVE TO FILE CONCURRENCE
IN MOTION OF REA EXPRESS, INC.
FOR EXTENSION.

The airlines named in the Appendix hereto respectfully request authority to file the attached Concurrence in Motion of REA Express for Extension dated March 26, 1974. This filing is necessary in order to place before the Board the position of the airlines with respect to REA's request for authorization to continue air express service until January 31, 1975.

Respectfully submitted,

Russell S. Bernhard
Attorney for Named Airlines

March 29, 1974

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of this Motion upon all parties of record in this proceeding by properly addressed first class mail this 29th day of March, 1974, at Washington, D.C.

Russell S. Bernhard

APPENDIX

Air Canada
Air France
Air Lift International, Inc.
Alaska Airlines, Inc.
Allegheny Airlines, Inc.
American Airlines, Inc.
Aspen Airways, Inc.
Braniff Airways, Inc.
Continental Air Lines, Inc.
Eastern Air Lines, Inc.
Flying Tiger Line
Frontier Airlines, Inc.
Hughes Airwest, Inc.
National Airlines, Inc.
New York Airways, Inc.
Northwest Airlines, Inc.
Ozark Air Lines, Inc.
Pan American World Airways, Inc.
Piedmont Aviation, Inc.
San Francisco-Oakland Helicopter Airlines, Inc.
Seaboard World Airlines, Inc.
Texas International Airlines, Inc.
Trans World Airlines, Inc.
Western Air Lines, Inc.

Before the

CIVIL AERONAUTICS BOARD

Washington, D.C.

EXPRESS SERVICE INVESTIGATION
DOCKET 22388

CONCURRENCE OF AIRLINES IN MOTION OF
REA EXPRESS, INC., FOR EXTENSION

The Board's order 73-12-36 in this proceeding, dated and served December 7, 1973, states that approval of Agreement CAB No. 12866 and Agreement CAB No. 17935, pursuant to which the airlines and REA Express provide air express service, is withdrawn effective upon the date REA Express commences air freight forwarder operations or 180 days from December 7, 1973, (i.e. June 5, 1974), which ever date occurs first.

REA Express has filed a motion for extension of the June 5, 1974, date to January 31, 1975. The airlines named in the Appendix hereto concur in the said motion of REA Express to extend the June 5, 1974, termination date for air express service to January 31, 1975, with all other terms and conditions of said Order 73-12-36 remaining unchanged.

This concurrence is submitted for the following reasons:

(a) Such extension will facilitate recovery by the airlines of the substantial debt due from REA Express to the airlines, which debt is being repaid by REA Express to the airlines in accordance with the deferred payment schedule set forth in the Amendment to Agreement CAB No. 17935 filed with the Board on January 25, 1974.

(b) Such extension will enable the airlines to explore with REA Express the possibility of revising Agreement CAB No. 17935, looking toward a continuation of Air Express Service.

WHEREFORE, the named airlines respectfully request that the Board grant the motion of REA Express for extension of the June 5, 1974, termination date in Order 73-12-36 to January 31, 1975.

Respectfully submitted,

Russell S. Bernhard
Attorney for the Named Airlines

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing upon all parties of record in this proceeding by properly addressed first class mail this 29th day of March, 1974, at Washington, D.C.

Russell S. Bernhard

APPENDIX

Air Canada
Air France
Air Lift International, Inc.
Alaska Airlines, Inc.
Allegheny Airlines, Inc.
American Airlines, Inc.
Aspen Airways, Inc.
Braniff Airways, Inc.
Continental Air Lines, Inc.
Eastern Air Lines, Inc.
Flying Tiger Line
Frontier Airlines, Inc.
Hughes Airwest, Inc.
National Airlines, Inc.
New York Airways, Inc.
Northwest Airlines, Inc.
Ozark Air Lines, Inc.
Pan American World Airways, Inc.
Piedmont Aviation, Inc.
San Fransicso-Oakland Helicopter Airlines, Inc.
Seaboard World Airlines, Inc.
Texas International Airlines, Inc.
Trans World Airlines, Inc.
Western Air Lines, Inc.

Exhibit BB

Order 74-5-25

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 6th day of May, 1974

EXPRESS SERVICE INVESTIGATION	Docket 22388

SUPPLEMENTAL OPINION AND ORDER

BY THE BOARD:

In Order 73-12-36 the Board determined to (1) disapprove the agreements among the airlines inter se and between the airlines and REA providing for air express service; (2) terminate REA's exemption authority to act as the exclusive indirect carrier for air express; and (3) award REA nationwide air freight forwarder authority and give REA six months to make the switch from air express to air freight forwarder service. The Board also found that the scheduled air carriers were under an obligation to offer highly expedited air freight service.

REA is the only party to seek reconsideration of Order 73-12-36. REA's petition for reconsideration is supported by the National Small Shipments Traffic Conference, 1/ and opposed by all of the airlines that are parties to the air express agreements, the Air Freight Forwarders Association ("AFFA"), and Emery Air Freight.

1/ We will grant the NSSTC's motion for permission to file its reply late.

REA has also filed a "motion for extension" that "requests the Board to permit air express to continue until January 31, 1975, so that the express partners may be afforded additional time for negotiations looking towards continuation of the air express system." Twenty-four of the 28 airlines participating in the air express system support REA's motion, [2/] as does the National Small Shipments Traffic Conference. United Air Lines, AFFA and Emery oppose it. [3/]

The Board has determined to deny REA's petition for reconsideration and motion for extension. However, for reasons explained hereafter we shall delay the implementation of our decision to terminate the air express arrangement until August 1, 1974.

REA's Pleadings

REA's petition for reconsideration and motion for extension overlap in many respects. Neither takes issue with the Board's decision to grant REA domestic airfreight forwarder authority (REA in fact has long sought such authority) nor in terms seeks reconsideration of our decision to end air express. Rather, both purport to urge no more than that the termination date of air express be extended, with the petition for reconsideration also asking that REA be given additional authority in the interim period. In point of fact, however, REA's petition for reconsideration, and to a lesser extent, REA's motion for extension, contend that Order 73-12-36 is in error in a host of respects.

2/ The four airlines that did not join in that answer are Delta, North Central, Southern, and United.

3/ REA's motion for extension and the various answers in support of, or in opposition to, the motion are accompanied by motions for leave to file otherwise unauthorized documents. The motions for leave to file otherwise unauthorized documents shall be granted, except for the motion filed on April 16 by the Brotherhood of Railway and Airline Clerks (See, infra, n. 22).

Taken together, REA's two pleadings present three basic contentions:

First, that the record shows that air express will continue to be a viable arrangement given appropriate action by the Board, and that the continuation of air express would be in the public interest.

Second, that circumstances arising since the close of the record in this proceeding further evidence air express's continued viability and its importance to the public.

Third, that even if the Board persists in its determination to end air express service (and REA's position as the exclusive ground agent for air express), the termination date should be extended by at least 18 months, and perhaps considerably longer, and REA should be accorded dual air express-air freight forwarder authority in the interim.

Each of those three arguments refers to the claimed importance of air express's priority rights to air cargo space, to REA's broad geographic and commodity coverage, and to action the Board should take to enable REA and the air express system to return to financial health. It is to those issues that we now turn.

Priority Service

By joint agreement between all U. S. certificated route carriers and REA, REA is the only indirect air carrier that is accorded priority treatment 4/. We found that notwithstanding this arrangement, air express generally is not faster than air freight forwarder service and is often slower; that the priority rights of air express service only rarely have any effect; and that to the extent that extra-quick transportation and priority rights are useful to shippers,

4/ The agreement provides, however, that the airlines are required to give priority only to a "normal" amount of air express traffic.

they can best be provided by airline tariffs so providing, without being tied, as they are now, to door-to-door air express service offered solely through REA. REA not surprisingly disagrees. REA claims that the priority service that air express offers is important to shippers, and that it is necessary to set back the termination date of air express at least 18 months, and perhaps indefinitely, in order to assure that shippers continue to have priority service available. 5/ In part REA's claims in this respect are based on views previously heard, considered and addressed by the Board. And while REA also raises arguments not advanced earlier, none merit reconsideration of Order 73-12-36.

REA argues that Order 73-12-36 is inconsistent because the Order finds little value in air express's priority feature but at the same time determines that airlines are under an obligation to offer highly expedited air freight service. We perceive no inconsistency. The record shows that a priority air cargo system that enabled a shipper to purchase extra-quick service would be valuable to some shippers (albeit a relatively small number). We accordingly found that airlines are under an obligation to file tariffs providing for such service.

That is not inconsistent with our finding regarding the significant value of the priority rights of air express for the reason that even with such priority rights, air express is not particularly fast. Air express -- with its priority rights -- is generally able to deliver a shipment no faster than a forwarder can using non-priority air freight services. 6/ The new service contemplated

---

5/ REA also argues, at least implicitly, that because of the importance of air express's priority service, air express should not be ended at all.

6/ REA claims one of the air express rules by which the airlines jointly divide up the air express business is a cause of this paradox. REA's point, apparently, is that we should have approved the continuation of air express, while conditioning our approval on the elimination of that rule. We discuss this general consideration infra, p. 13.

in the Order, on the other hand, will assure truly fast deliveries, in large part because it will be a system that will benefit from the competitive efforts both of the direct air carriers and of the many forwarders who have made it their business to achieve the fastest deliveries that direct air carrier operations permit.

REA next argues that recent circumstances -- specifically the ongoing fuel shortage -- require that air express service be continued at least for the duration of that shortage. REA's theory apparently is that capacity reductions stemming from the shortage have already and will continue to substantially increase the likelihood that any given air freight shipment will be delayed by reason of insufficient cargo space. Air express shipments will not be delayed, the theory goes, because of air express's priority rights. Thus shippers who need prompt deliveries will benefit by extending air express's life for the duration of the shortage. REA offers no factual support for its position, however, and reports on file with the Board fail to establish a dearth of cargo capacity stemming from the fuel shortage. 7/

7/ Thus in 100 of REA's top markets (see REA Ex-209) air cargo load factors -- that is, percent of available air cargo space filled by air express, air freight, and mail -- during the three-month period November and December 1973, and January 1974, averaged about 37%, up only about five points from the same period last year. These figures are compiled from service segment data reported to the Board by the airlines. (January 1974 data are the last currently available.)

Moreover, if it be assumed that the fuel shortage will ultimately result in cargo demand outstripping cargo capacity, the appropriate course is not to attempt to prolong REA's monopoly over priority rights to cargo space. Rather, it is to ensure that the airlines offer priority service to all. For if limitations on airline capacity stemming from the fuel shortage were in the months or years ahead ultimately to make it difficult to obtain cargo space, it would plainly be contrary to the public interest to perpetuate the present arrangement, in which those shippers unable to accept the delays inherent in such circumstances would have to deal with REA because of REA's exclusive right to priority treatment.

Geographic Coverage

REA argues that air freight forwarders will not be able to match the geographic coverage now provided by air express 8/ REA also claims that even if the Board remains of the view that the forwarders have the wherewithal to expand their coverage, termination of air express should nevertheless be delayed in order to determine if the air freight forwarders will in fact expand the geographic scope of their operations sufficiently, and in order to give the forwarders the time to effectuate the changes in their operations that such expansion requires.

Upon consideration of the pleadings, the Board has determined that no error has been shown in the findings and conclusions made in Order 73-12-36 concerning the geographic coverage of air express and the forwarders' abilities and intentions.

8/ We note, however, that REA's authorization as an indirect carrier is not being ended, but rather being changed from air express ground agent to air freight forwarder.

We note, at the outset that, as discussed in Order 73-12-36, REA's historic broad geographic coverage is a relic of the past, and that even if air express were to continue, the future would inevitably bring retrenchment in its scope of operations. No pleadings dispute these findings, and no party, including REA, has pointed us to new circumstances that would call these findings into question. 9/

In any event, and apart from the foregoing considerations, deferral of the date at which our authorization of air express ends would almost surely serve merely to delay still further the geographic expansion of air freight forwarder service. Our understanding of air freight forwarder economics convinces us that the forwarders are unlikely to take the risks inherent in substantially expanding the geographic scope of their operations as long as air express is in operation.

9/ REA suggests that the withdrawal of Santa Fe Airfreight and Domestic Air Express from air freight forwarding undercuts the Board's conclusion that the forwarder industry will be able to fill voids created by the withdrawal of REA from many markets. However, neither forwarder played a large or crucial role in the nation's air freight system, and we do not consider their departure material to this case. Moreover, air freight forwarders with nationwide systems, such as Emery, remain willing and able to fill such service voids, and we note that eleven long-haul motor carriers (many of which are nationwide companies) have recently filed for renewal of their air freight forwarder authority.

The combination of thin markets (essentially all markets in which relatively large amounts of air cargo move are already served by forwarders), established REA customers, and the substantial level of nonline-haul services performed for REA by the airlines at most of the country's airports, [10/] present market entry difficulties that could too easily dissuade forwarders from untertaking the necessary investments.

As we said in Order 73-12-36, irrespective of the action which the Board takes here some uncertainties are inevitable in the days ahead for air cargo service to small communities. But we remain of the view that the effectuation of Order 73-12-36 will redound to the benefit of the country's small communities as well as to the nation as a whole. [11/] It should also be pointed that REA, as an air freight forwarder, will be able to offer priority handling at all of its present outlets. However, REA will no longer be the <u>exclusive</u> agent for priority cargo handling.

10/ The airlines perform all ground services (receiving and delivery of over-the-counter shipments, routing of shipments, etc.) for air express shipments at about 85% of the nation's airports: See Order 73-12-36, at 24.

11/ Similar considerations apply in respect to commodity coverage. In fact, the record is even clearer that the airlines and the forwarders will be fully able and willing to efficiently handle all of the commodities that now move on air express. REA claims that transporting some kinds of cargo presents difficult operational problems, referring particularly to the transport of live animals at a time when capacity has been cut because of the fuel shortage. But REA adds nothing beyond that already considered by the Board in Order 73-12-36 and above at p. 5 with the exception of a reference to a finding of a Congressional Committee (as reported in a newspaper article) that the Board and other agencies should "monitor" domestic animal shipments. The Congressional document cited indirectly by REA is a report of the House Committee on Government Operations, House Rept. No. 93-746, "Problems in Air Shipment of Domestic Animals," 93rd Cong., 1st Sess. (1973). As indicated, REA refers to the report as supporting its claim that air express should be continued in order to assure proper treatment of live animals being transported by air. In fact, however, the Report states that animals shipped by air express apparently often fare worse than animals shipped via air freight, that there are delays in the shipment of animals moving by air express, and that it appears that "REA in many instances is not equipped to handle animal shipments." Moreover, the Report specifically proposes that <u>REA's</u> handling of animal traffic "be monitored": Report at pp. 9-11, 18.

Relative rate levels of air express and airfreight

REA claims that a decision in the Rates case 12/ is needed to provide a comparison between air express rates and the rates offered by alternative services, and that the Board cannot reasonably take action ordering the end of air express until the conclusion of the Rates case.

The Board does not share REA's views. To begin with, as discussed in our opinion in the Rates case, the question of lawful express rates for the future is now moot by reason of the Board's decision in this proceeding to terminate the air express arrangement, and, accordingly, has not been considered in the Rates proceeding by the Board.13/

Moreover, relatively low express rates, standing alone, cannot be the basis for perpetuating the air express system (even assuming that it could in fact be perpetuated). The Board recognizes that in many instances air express rates for small-package, short-haul shipments are less than air

12/ Investigation of Air Express Rates, Docket 22387.

13/ We note that in any event it is evident that the record in the Rates case could not provide a meaningful comparison between express and other freight rates. For, as Order 74-5-23 establishes, the record in that proceeding is woefully deficient, and, largely because of REA's failure to comply with evidence requests, does not contain basic information needed for the comparison that REA now insists upon. In this connection, AFFA, in its answer to REA's petition, argues that the Rates case should be abandoned because the record is stale. REA has moved for leave to file an otherwise unauthorized reply to AFFA's argument, in which REA strongly opposes abandonment of the Rates case. The airlines have moved for leave to file an otherwise unauthorized answer in opposition to REA's reply. We shall grant the motions of REA and the airlines.

freight rates. However, as we stated in Order 73-12-36, this factor does not outweigh other important public interest considerations that point to the termination of the current air express arrangement.

We also note that in recent years air express rates have been substantially increased a number of times. 14/ One result of these increases is that in many instances it is now less expensive to ship even the smallest package on an airport-to-airport basis via the airfreight services of the airlines, and in some instances, the forwarders. (More than 20% of all express shipments were airport-to-airport shipments.)15/

Finally, we cannot accept REA's argument that the Board should wait and see what rates the airlines and forwarders will publish for priority service before terminating air express. First, as previously discussed, REA's relatively low rates are not sufficient reason, in and of themselves, for perpetuating the air express system. Second, even apart from the Board's power to control rates, there is no basis for REA's suggestion that the rates for the new priority service will be unreasonably high. In fact, as noted in Order 73-12-36, it is the Board's view that competition for priority shipments among the direct air carriers and all indirect air carriers, including REA, will result in an optimum balance of price and service. Third, and as also previously discussed, an extension of the life of the air express arrangement would hamper the institution of the new, and what we believe to be, superior, priority service.

14/ In the past few years alone there have been numerous and substantial increases in air express rates. In fact, since January 1, 1974, REA has increased its general commodity rates by 10% and certain special commodity rates (and related minimum charges) far more than 10%. The total additional revenue derived from these rate increases has accrued almost exclusively to REA, and not to its express partner, the airlines.

15/ Air express service has always been a door-to-door service under a single rate which includes pickup and delivery service. Air express customers preferring to ship on an airport-to-airport basis (to avoid the delays inherent in pickup and delivery services, for instance) must nonetheless pay the full rate.

Air Express's Viability

As detailed in Part V of Order 73-12-36: (1) air express is a joint arrangement that hinges on the maintenance of an agreement between two parties (REA, on the one hand, and, on the other, the airlines as a group) whose interests have long been divergent and are becoming ever more so, with the result that air express service remains in chronic danger of being interrupted or ended; (2) while the Board has sufficient authority to compel the airlines to provide line-haul services for REA under an arrangement that would resemble the present air express system in certain respects, the Board could not insure that the airlines would continue to perform ground services on behalf of REA that are an integral and important part of the air express arrangement; (3) REA, upon which the air express system depends, is in serious financial trouble which could only be alleviated, if at all, by a substantial increase in air express traffic volume; and (4) the kind of traffic volume increase REA needs could only occur if REA were granted expanded authority, but that such authority would have a detrimental impact on the public interest and, in any case, would not work.

As we understand the thrust of REA's two pleadings insofar as they deal with this aspect of Order 73-12-36, REA is arguing that the Board could and should have taken steps to increase the chance of air express's continued viability by imposing various requirements, all beneficial to REA, on the airlines; that, as a result of current developments, there is a greater chance that REA and the airlines can work out their differences if given an extra eight months to do so; and that since determinations to be made in the Rates case will substantially affect REA's continued viability, it would be error on our part not to delay termination of air express until a final order issues in the Rates case.

We turn first to REA's argument that the Board's earlier approval of the air express agreements created "block bargaining power" on the part of the airlines; that the airlines -- utilizing that power -- have discriminated against REA; that the Board should have acted to prevent that discriminatory treatment; that if the Board had in fact done so it would have gone far toward returning REA and the air express toward viability; and that by not doing so the Board has acted contrary to antitrust policy.

We cannot conclude that REA's claims in this respect require reconsideration of Order 73-12-36. The air express agreements are plainly anticompetitive, and have the effect of eliminating competition between airlines and excluding airfreight forwarders from various types of markets. 16/ As we have elsewhere discussed, the air express agreements do not produce counter-balancing public benefits, but rather stand in the way of the establishment of an improved air cargo system. REA nonetheless argues that notwithstanding the foregoing, Order 73-12-36 runs afoul of the antitrust laws by failing to order the continuation

---

16/ REA takes issue with the Board's characterization of air express as a monopoly. In our view, however, REA's arguments do not warrant our reconsidering our position in this respect. First, as touched on above, REA's unique arrangement with the airlines goes far toward assuring that air freight forwarders will be precluded from serving the country's smaller air cargo markets. Second, as we also touched on earlier, of the many indirect air carriers only REA (as air express's sole ground agent) has a claim to priority treatment by the airlines. The fact that this exclusive right (granted by all of the certificated route carriers acting jointly) does not seriously limit the air freight forwarders' ability to compete with air express shows only that an intended monopoly service has for various reasons not worked that way in practice. Even here, however, there is little doubt that some shippers distinguish between REA and other kinds of air freight service -- however mistakenly -- on ground that air express has priority claim to cargo space. Moreover, REA's exclusive claim to priority service could become a matter of real significance if the fuel shortage were ultimately to result in cargo load factors climbing to high levels. Further, the existence of air express tends to prevent the institution by airlines of highly expedited service readily useable by air freight forwarders.

of the arrangement, and that as part of its "supervisory responsibility" the Board has to permit the air express arrangement to continue while taking steps to protect one of the willing participants to the agreement from its partners.17/ We cannot concur. Disapproval of the air express agreements is fully in keeping with the spirit of the antitrust laws. It is the perpetuation of them that would have been contrary to that spirit. And we are not aware of any supervisory responsibility imposed on us that requires us to attempt to aid an unhappy partner to an arrangement that has outlived its time.

Moreover, our power to require the airlines to treat REA in any specified manner is in many respects limited. Thus the Board can not force any party to enter into a contractual relationship. In this regard, as discussed earlier, it is unlikely that the airlines and REA would be able to work out an arrangement continuing air express even if the arrangement were approved by the Board as is. Imposing the kinds of new conditions urged by REA would almost surely preclude continuation of air express by reason of the unwillingness of the airlines to become parties to an agreement so conditioned.

It is true that the Board probably could license REA to operate independently of an airline-REA agreement, and could compel the airlines to

---

17/ REA argues that the Board's decision to deny it independent tariff authority is inconsistent with views expressed by the Board in the Air Freight Forwarder Case, 9 CAB 473, 486 (1948). In that case the Board noted that a dispute between the airlines and REA could be eliminated if they agreed to participate in a system whereby REA would publish an express tariff based upon charges imposed on REA by the airlines for their services to REA. The Board's views therein are not inconsistent with its decision in this proceeding. First, the Air Freight Forwarder Case supports the airlines' position which, as noted by the Board in Order 73-12-36, is that the airlines should be permitted to charge REA enough to cover their full costs. Second, Order 73-12-36 agrees with the Board's earlier conclusion that the Board does have the authority to permit REA to file its own tariff based upon rates charged REA by the airlines. However, the Board concluded in this proceeding that under existing

(Continued)

publish an air express tariff covering rates to REA. But as Order 73-12-36 points out, we are unaware of any authority by which we could require the airlines to continue to provide the many ground services that they presently perform on behalf of REA at so many of the nation's airports. REA points us to none and indeed does not dispute the concerns expressed on this point in Order 73-12-36.

REA's claims (in its motion for extension) that the June termination date for air express ordered by Order 73-12-36 ought to be extended eight months in order to permit the airlines and REA to work out their differences and arrive at a new agreement. REA bases its request on, among other things, newly instituted negotiations between REA and the airlines, that, according to REA, show signs of possibly bearing fruit.

We cannot agree to this request for postponement. In the first place, the decision to end the air express arrangement was by no means predicated on the inability of the airlines and REA to come to an agreement. Our point was that any agreement between the two sides would necessarily be unstable due to the parties' divergent interests. Moreover, even that was but one of several concerns that led the Board to conclude that the air express agreements should be ordered ended.

17/ (Continued) circumstances a grant of the tariff authority REA seeks would not in fact serve to perpetuate the air express system in its present form. REA also has argued during the course of this case that, as an alternative to the beforementioned complementary tariff system, it should be permitted rate freedom in the sense that it would publish the only express tariff and the airlines would receive a division of the rates REA would charge to the public. It is in this sense that the Board stated at page 27 of its Opinion that " . . . it is understandable that the airlines have refused to enter into an arrangement whereby the rates to be charged for such shipments would be within the control of another company (REA) whose interests and cost structure vary considerably from those of the airlines."

Second, there is no basis for concluding that there is any real chance that REA and the airlines will be able to work out the fundamental differences between them.[18/] All of the airlines participating in the air express arrangement filed a pleading supporting Order 73-12-36, and opposing REA's petition for reconsideration. Thereafter, 24 of those airlines appeared to reverse course and supported REA's motion for extension. United, for one, argues that that change in direction by the 24 direct carriers is prompted more by the hope that an extension would result in their collecting a greater percentage of the amounts due them by REA than by matters more directly related to the public interest. We need not speculate on the motivations of those 24 carriers, however, since the fact of the matter is that four airlines did not join in that response to REA's motion, thereby adhering to the position they espoused in the airlines' opposition to REA's petition for reconsideration. In 1973, those four carriers--Delta, North Central, Southern, and United--accounted for 35 percent of all air express traffic. Of the 500 or so points in the United States receiving certificated air service, about 100 receive such service only from one or more of those four carriers.[18a/]

In these circumstances, we can only conclude that the possibility of continuing the air express arrangement in anything like its present form--that is, a consensual arrangement providing broad geographic coverage--has

---

18/ REA has so argued. See oral arg. tr. at 29-30.

18a/ Ft. Wayne, Ind., is served only by Delta and United; Meridian, Miss., by Delta and Southern; and Flint, Lansing, Muskegon, and Saginaw/Bay City/Midland, Mich., by North Central and United. Each of approximately 90 other points are served only by one of the four carriers.

not been shown to be any less free from doubt than it was at the time of issuance of Order 73-12-36, or that this state of affairs is likely to change for the better by January or thereafter.

REA's other argument in respect to continuing air express' viability appears to be that REA's financial problems--which have been a major source of weakness in the air express system--could be greatly ameliorated if the division of air express revenues between REA and the airlines were appropriately adjusted in REA's favor. REA points out that this question of divisions is at issue in the Rates case and that accordingly the Board cannot reasonably make any determination about the viability of air express until the conclusion of that case.

We cannot agree, however, that delaying action here to await the final outcome of the Rates case would serve any purpose, much less benefit the public interest. To begin with, and as discussed in our accompanying Rates opinion, the record in the Rates case does not now permit a determination of reasonable divisions, and it is not completely clear that it will ever do so despite our order there.[19/] Further, as discussed in Order 73-12-36 and concurred in by REA, in order for REA to attain financial health as the air express ground agent it would have to greatly increase its traffic volume. A change in divisions would not be enough to render air express viable[20/] unless it were accompanied by extensive changes in REA's authority that would be neither feasible nor in the public interest.

19/ Of course that case will in any event consider division questions only on a retrospective basis. Moreover, the authority of the Board to order divisions is itself contested.

20/ As noted earlier (at n.14 above), REA's share of each dollar of air express revenue has been steadily increasing. Yet the carrier's financial health remains unsatisfactory.

The Mechanics of the Changeover

REA claims that it needs more than six months to change from air express ground agent to air freight forwarder. It points to such matters as the need to instruct its employees in air freight rates and the need for specialized equipment, including containers, certain types of vehicles, and so forth. In our view, however, REA has utterly failed to show that the six months grace period granted to REA by Order 73-12-36 is insufficient. A prompt switch by REA from air express ground agent to air freight forwarder should present no undue difficulties. It is already an air freight forwarder in international markets. REA has long claimed it badly needs air freight forwarder authority, presumably on the basis of careful consideration by its management of how REA would conduct air freight forwarder operations. It has its many long standing customers. It appears that a very considerable portion of its buildings and equipment are suitable for air freight forwarder operations. And its management and employees are intimately familiar with the air cargo industry. Moreover REA provided no factual support that it needs more time.[21/]

For reasons expressed earlier herein and in Order 73-12-36, the nation's shippers will be better served when air express is ended. For that reason prompt termination is in order. REA claims that it will suffer badly

---

21/ While its pleadings are replete with generalized allegations in this respect, we are provided with no specific data that could lead us to conclude that we should reconsider the determination in Order 73-12-36 that six months is sufficient time for the changeover.

if it has to switch to air freight forwarder status on June 5.22/ However, in our view, even if that were the case, there has been no showing that REA would be in a materially different position after a deferral than it is now.23/

In sum, the evidence is that a prompt termination of the air express system is in the public interest. However, the Board appreciates the complexity involved in setting up a new priority system for handling air freight. In this connection, we note that while the airlines have met for the purpose of establishing a priority system, they have not, as of this date, filed tariffs that would offer priority service by June 5, 1974. In order to give the carriers time to present the Board with a new system for priority handling of air freight and file the appropriate tariffs, the Board has decided to extend its approval of the air express agreements, and REA's exclusive express authority, through July 31, 1974.

22/ On April 16th the Brotherhood of Railway and Airline Clerks sought leave to file an answer in support of REA's motion for extension, arguing that termination of REA's air express authority would cost many of REA's employees their jobs. REA's petition for reconsideration also refers to the impact our decision would have on its employees, and the Board has, of course, taken this consideration into account as a public interest factor, but has found that the public interest will, on balance, be favored by the actions we have ordered. Moreover, it is our belief that since the air cargo industry will be strengthened by the termination of air express, the net impact on the industry's employees will be a favorable one. Further, BRAC's position is predicated on the view that the possibility exists that the present air express system can continue. However, we have concluded to the contrary. Since BRAC is not a party, and has not shown good cause for late filing, we shall deny its motion.

23/ REA also claims that the airlines and forwarders, need substantially more than six months to adjust to the Board's decision to terminate air express. Again, REA provides no factual support for its claim and has otherwise failed to support its argument. In fact, the airlines and forwarders, speaking for themselves, dispute REA's contention, and further state that they will have no difficulty making whatever adjustments are required by the Board's order.

Our decision not to extend the termination date of air express as requested by REA to all intents and purposes moots REA's request for dual authority. Even apart from that, however, we would not grant the authority REA wishes. As discussed in Order 73-12-36, such dual authority would present a variety of problems, including the possibility of serious confusion on the part of the public. Moreover the grant to REA of dual authority would be a meaningless gesture since the airlines have made it more than plain that they would not continue to deal with REA as air express ground agent if REA obtained air freight forwarder authority.

ACCORDINGLY, IT IS ORDERED THAT:

1. The petition for reconsideration and the motion for extension filed by REA Express, Inc., be and they hereby are denied;

2. The motion of the National Small Shipments Traffic Conference for leave to file an untimely reply to REA's petition for reconsideration be and it hereby is granted;

3. The motion of REA Express, Inc., for leave to file an otherwise unauthorized motion for extension, and the motions of the Air Freight Forwarders Association, Inc., Emery Air Freight, Inc., the National Small Shipments Traffic Conference, the participating airlines, and United Air Lines, for leave to file otherwise unauthorized answers to REA's motion for extension be and they hereby are granted;

4. The motion of REA Express, Inc, for leave to file an otherwise unauthorized reply to the answer of the Airfreight Forwarders Association to REA's petition for reconsideration, and the motion of the participating airlines for leave to file an answer to REA's reply, be and they hereby are granted;

5. Ordering paragraph "3" of Order 73-12-36 be and it hereby is modified to read as follows:

"3. That the exemption authority of REA Express, Inc., to conduct operations in air transportation initially granted by Order Serial Number 941, dated March 13, 1941, as amended (the most recent amendment authority being granted by exemption Order E-22273, dated June 4, 1965) be and it hereby is terminated on the date that REA commences air freight forwarder operations pursuant to an authorization issued in accordance with our decision herein, or on August 1, 1974, whichever date occurs first;"

6. Except to the extent granted herein, all motions, applications and requests involved herein be and they hereby are denied; and

7. This Order shall be served on all persons on whom Order 73-12-36 was served, and the Brotherhood of Railway and Airline Clerks.

TIMM, Chairman, GILLILLAND, Vice Chairman, and MINETTI, Member, concurred in the above opinion and order. WEST and O'MELIA, Members, did not take part in the decision.

EDWIN Z. HOLLAND

Secretary

(SEAL)

Exhibit CC

Order 74-5-23

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 6th day of May, 1974

INVESTIGATION OF AIR EXPRESS RATES	:	Docket 22387

ORDER

This investigation was instituted by Order 70-7-109, July 23, 1970, to determine the lawfulness of the air express rates and the divisions of such rates and charges as between REA and the direct air carriers. At the same time, in a companion order,1/ we instituted the Express Service Investigation, Docket 22388, to explore, among other things, the future role of express or priority cargo service in air transportation and whether the existing concept of an air express agreement between the direct air carriers and an express company should be maintained.

The Board has now, in Order 73-12-36, issued December 7, 1973, in the Service Investigation, authorized REA to operate as a domestic air freight forwarder, ordered the termination of REA's exemption authority to conduct air express service, and indicated that separate rates for expedited freight should be established 2/ independently by direct air carriers and air freight forwarders, rather than pursuant to agreements. In the light of that decision the instant Air Express Rates Investigation has been rendered moot in most respects. Because of the change in REA's mode of operation foreshadowed by our decision that it shall henceforth be an air freight forwarder rather than maintain its air express monopoly, no useful purpose would be served by our passing on the lawfulness of air express rates or attempting

1/ Order 70-7-110. That order also deferred action on an amendment of the air express agreement between REA and the airlines which provided, inter alia, for new divisions of rates.

2/ Subject, of course, to the normal rate procedures involving review and possible investigation and suspensions. The order also disapproved the agreements covering air express services, rates and divisions. Express operations will continue for a "wind-up" period through July 31, 1974. Order 74-5-25.

to resolve the disagreement between REA and the direct air carriers concerning the amounts to be paid over to the latter from revenues to be received under lawful prospective rates for express.

There remains, however, the question whether the Board should attempt to redistribute air express proceeds between the REA and the direct air carriers on a retrospective basis. This matter was within the scope of the hearing conducted by Administrative Law Judge Milton H. Shapiro, his Initial Decision, and our Order 72-7-15 undertaking review. Briefs have been filed and oral argument conducted, and the question was submitted for decision. However, as discussed more fully below, we are not satisfied with (1) the analyses made by the parties concerning the Board's power to order a retroactive adjustment of the revenue divisions heretofore made by REA and the airlines or (2) the state of the record on REA and airline costs and revenues, and we are uncertain at this time whether, under all the circumstances, it would be in the public interest for the Board to exercise its discretion (assuming our jurisdiction) and attempt to redistribute the air express revenues. We do know, however, that there are major gaps in the data necessary to an informed judgment as to what the just, reasonable and equitable divisions would be, and that we have serious doubts with respect to the jurisdiction question which were not resolved by the parties' presentations.

REA contends that it has been denied its fair share of air express revenues in the past and argues that the Board can and should require an adjustment of these revenues for the past period beginning April 9, 1970, the date of REA's Petition and Complaint seeking reformation of the agreement and relief with respect to the revenue allocation reflected in the existing agreement. 3/ Its argument is based on section 1002(h) of the Federal

---

3/ See Orders 70-7-110, 70-8-48 and 71-2-68. The Board originally dismissed REA's pleading since the reform and relief requested were the subject of the broader ranging Express Service and Express Rates cases, but when the carrier raised the issue of the legal effect of dismissal prejudicing its positions with respect to the date of any retroactive action under section 1002(h) of the Act, we reinstated the Petition and Complaint for the limited purpose of preserving our legal option to grant relief retroactive to the April 9, 1970, filing date, and consolidated that limited reinstatement with the instant investigation. The Board also announced that it refrained from taking any position on its power to grant such relief or the need for the relief, stating that it intended only to preserve such legal option should the Board decide to exercise it under proper circumstances.

Aviation Act, which provides that when the Board prescribes just, reasonable, and equitable divisions of joint rates between the air carriers parties thereto it may require the adjustment of divisions between such air carriers from the date of the filing of a complaint or such later date as it finds just, reasonable and equitable. 4/ REA claims that, under a proper division formula, 5/ the airlines owe it over $1 million a month from April 9, 1970, forward, and that hence retroactive adjustment is needed to restore to REA its rightful entitlement.

At the threshold, the airlines have challenged the Board's jurisdiction to make retroactive adjustments of the divisions. They take the position that (1) while the Board can prescribe divisions prospectively through its power to condition approval of REA-airline agreements under section 412 of the Act, it cannot alter the agreements themselves 6/ and (2) the Board lacks the power to prescribe divisions of revenues between REA and the airlines pursuant to section 1002(h), since express rates are not "joint rates" between REA and the airlines. They assert that joint rates may exist only between connecting carriers operating through routes (i.e., airlines) and not between indirect air carriers and direct air carriers. The airlines state that REA does not operate "through routes" in air transportation, but only pick-up and delivery services, which are terminal services rather than line-haul or through route services.

4/ Section 1002(h) reads as follows:

"Whenever, after notice and hearing, upon complaint or upon its own initiative, the Board is of the opinion that the divisions of joint rates, fares, or charges for air transportation are or will be unjust, unreasonable, inequitable, or unduly preferential or prejudicial as between the air carriers or foreign air carriers parties thereto, the Board shall prescribe the just, reasonable, and equitable divisions thereof to be received by the several air carriers. The Board may require the adjustment of divisions between such air carriers from the date of filing the complaint or entry of order of investigation, or such other date subsequent thereto as the Board finds to be just, reasonable, and equitable."

5/ Under the formula proposed by REA, airline divisions from air express are to bear the same relationship to airline air express costs as airline freight revenues bear to airline freight costs and the airline costs are to be computed on the basis of by-product costing.

6/ The carriers argue that if the parties to an agreement do not accept a condition the Board can disapprove the agreement, but not re-write it. Withholding approval of an agreement because of a deficiency would not here serve to change the distribution of express revenues for past periods.

In his Initial Decision Judge Shapiro did not reach the jurisdictional question under section 1002(h). Contemplating divisions for the future, he determined, in the then existing circumstances, that jurisdiction is conferred by section 412. That section of the Act allows the Board to approve or disapprove agreements between REA and the airlines and has been the vehicle for Board control of REA-airline relationships, including the method of dividing revenues, since the inception of the air express service. In the Judge's view, although the power to prescribe rate levels does not coincide with the power to prescribe divisions, once the rate levels are prescribed according to the costs of the carriers for air express, the parties could proceed, as in the past, to negotiate an agreement with respect to divisions to reflect the prescribed rates, and the Board can offer the parties the choice of Board approval if they conform to the conditions relating to divisions, or of disapproval if they fail to accept them. As to the retroactive adjustment issue, Judge Shapiro held that the rates and divisions he found reasonable showed that rather than there having been an overpayment to the airlines by REA from the proceeds of the air express revenues, the airlines had been underpaid. He found that the evidence did not support REA's contention that it is entitled to reimbursement for overpayments to airlines under existing divisions; that the airlines had made no claim for retroactive payment or alterations of the divisions, because of their view that neither Section 412 nor section 1002(h) grants authority to make retroactive adjustments; and that in all the circumstances no such adjustment was required. Accordingly, he found that there was no need to require retroactive adjustments of the divisions as a condition of approval of any REA-airline agreement to be reached regarding air express rates. 7/

7/ In the light of the Board's decision in the Express Service Investigation, its power under section 412 to attach conditions to approval of the REA-airline agreement is no longer available as a means of prescribing divisions as a practical matter (absent consensus), since we are terminating the agreement in any event. Whatever the merits of conditioning approvals of agreements having future applicability on acceptance of prescriptions of divisions of revenues for past periods, the sanction of disapproval is lost where the agreement is not of a continuing nature, and we have no basis directly to reform an agreement between the parties. As Judge Shapiro correctly stated, under section 412 the Board is empowered to offer the parties a choice of approval if conditions are accepted or disapproval if they are refused, cf. McManus v. C.A.B., 286 F.2d 414 (2d Cir., 1961).

As the Board currently views the matter, a major difficulty with the conclusion of the Administrative Law Judge is that the existing record does not appear to contain sufficient factual information to permit us to conclude whether or not the existing revenue divisions, which could extend over a period as long as from April 1970 to 1974, are equitable. Although Judge Shapiro exercised a great deal of patience and persistence in attempting to determine the costs incurred by REA and the airlines, this task proved to be what he called "a prickly and elusive challenge." This was especially true so far as REA's financial results and operating statistics were concerned.

The problem stems in part from the fact that REA does not report on a recurrent (or even sporadic) basis any detail for its air express revenues, expenses and investment, nor such basic data as air express shipments, pieces and pounds, separately from such information for its surface express operations, much less on a more refined basis which would for example differentiate between system and domestic air express, or general commodity-rated and specific commodity-rated traffic.8/ Apparently, it also keeps its books on a system basis only, although air express is handled by a separate operating division of the company. Quite obviously, this history and practice of aggregate accounting and reporting both emphasizes the need for accurate allocations and makes the allocations more difficult to accomplish and to assess. When this deficiency was coupled with a fundamental revision of REA's system of accounts, effective July 1, 1970, the result was to render it extremely difficult, if not impossible, to compare data for this first half of 1970 with data for the second half of that year, or to reconcile the data for the two halves of the year with the carrier's report to the Interstate Commerce Commission for calendar 1970, much less to make dependable comparisons with earlier years or projections to later years. Yet, REA was insistent that 1970 was the only feasible base period, since it had made two cost studies during that year which it deemed crucial to its allocation of costs. REA further asserts that, because of a number of variable factors, the studies could not be applied to 1969 data to develop cost allocations for that prior period (which had been designed earlier as the base year), and that even the costs REA itself had developed for 1969 were merely the product of what it characterizes as a "meaningless mathematical exercise." In that posture, and because of "the quality of the evidence actually furnished at the hearing" (I.D. p. 12), the Judge determined, in effect, to accept 1970 as the base year. However, it must be noted that the variables which were asserted by REA to make its costing inapplicable to 1969 data would appear to make equally questionable the application of its methodology to later periods.

8/ The general commodity-rated traffic and the specific commodity-rated traffic are somewhat different in terms of volume, weight and prices per shipment, and weight per piece. See Initial Decision, Appendix J. The ALJ's costs were based on those for the general commodity-rated traffic, since marketing considerations would normally have a greater impact on the SCR's than on the GCR's.

Moreover, as indicated in the initial decision, the evidence presented at the hearing was not of the highest quality, to say the least. The exhibits were revised and recast on various occasions, not only to alter findings from the studies, but also to change fundamental statistics, such as number of shipments, and the result is a morass of seemingly conflicting figures. The problem is greatly aggravated by the absence of basic data for traffic and revenues subsequent to the hearing in this case. Judge Shapiro directed REA to furnish monthly reports of air express traffic data until the Board's final decision in this investigation. In July 1971 REA requested permission to be relieved of this requirement. The request was denied by the Judge, but nevertheless REA unilaterally discontinued submitting the reports. Whatever the other difficulties of determining the proper divisions for years subsequent to 1970, the continued absence of basic information needed to allocate costs would make the task impossible.

Within the limits of the data the Administrative Law Judge has made cost findings for 1969 and 1970 which satisfied him that the airlines, rather than REA, had been underpaid and that REA had not proven that it was entitled to reimbursement for overpaying the airlines under the divisions. REA has challenged these findings, alleging that the Initial Decision contained errors involving over $26 million of claimed costs denied to it and almost $36 million of airline costs mistakenly allowed. While a preliminary review indicates that at least $22 million of claimed errors respecting REA costs are unsubstantiated 9/

9/ REA has claimed "inflation" of $14.5 million but, quite apart from the fact that this item has no bearing on 1970 costs, the record support will not bear scrutiny. The primary bases for the claim are (1) its two forecast 15% payroll increases, predicated on asserted increases in that amount in the railroad industry, plus (2) a projection for economic inflation, footed on an overall forecast in the Survey of Current Business. But REA stated on brief to the Board that it had not paid its union employees increased wages since June 1970 and a national forecast is too speculative a basis to apply to the costs of any particular company. Further, there is no reason to believe that REA experienced inflation any more severe than the airlines with whom the air express revenues are to be divided.

The second major "error" asserted was the disallowance of $7 million in return and taxes. However, this figure rests on the theory that a particular amount of money--here $3.5 million--is required to attract capital. Neither the theory nor the amount is adequately supported. As a means of reaching the sum in question, REA applied a claimed 15% capital to a constructed investment which would produce the result. This is a totally unacceptable approach. We will not inflate investment to make up for losses incurred prior to the institution of this investigation, nor attempt to provide a return on investment covering the cost of capital for REA's entire system, nor provide capital directly, as opposed to a return element affording the means for attracting capital--and the return element is not intended to make up for operating inefficiencies, failure to adjust costs to revenue, or lack of receptivity to service needs and customer requirements. See Tr. 515-517.

(Continued)

and that most, if not all, of REA's theories pertaining to the airlines' express costs are invalid,10/ the Board is unwilling to undertake an in-depth review of REA's contentions with respect to 1970 in the absence of, at the least, more data for the remaining years which would be involved, and prior to resolving

---

(Continued)

9/ The remaining items are questionable. REA's posture on these rest on such factors as allocations based on unsupported judgment which are inconsistent with statements in tariff justifications on file with the Board; retroactive revisions of accounting for bad debts; insurance allocation ratios twice as high in one period as in another; and a mistaken view of the impact of a shipment count on the costs for general commodity-rated traffic. Problems of evidentiary support also inhere in the allocations of "other revenue" and accounting for value charges, C.O.D. fees, and other accessorial charges.

10/ The first error ($3.74 million) attributed by REA to the initial decision was the use of a joint product rather than a by-product basis for allocating airline-costs as required by our decision in the Domestic Passenger-Fare Investigation, Docket 21866-7. But the ALJ did not misread our decision as asserted by REA. In contrast to our tentative view with respect to freight rates, we stated that we had no reason to believe that mail and express rates could not cover a fully allocated share of capacity and noncapacity costs. Our view has not been altered by the record in the instant investigation, which strongly suggests that REA's past problems with contracting shipment volumes were attributable to a reputation for poor service rather than to its prices. These prices remained advantageous competitively vis-a-vis air freight in the short-haul markets where the vast bulk of REA's traffic is carried. The repeated post-hearing filings for rate increases by REA are not inconsistent with a belief that express traffic is relatively price-inelastic. Moreover, for division purposes, costs should not be altered by price elasticity considerations: divisions should be cost-based, and where the respective percentage shares of revenues are fixed in proportion to respective costs, inability to price at cost is irrelevant.

Second, the theory that the airlines' share of express revenues should have the same relationship to their express costs (based on by-product "costing") as their freight rates bear to freight costs was properly rejected by the ALJ. If it is true that the airlines cannot recover full costs from their freight operations (a question still to be determined in the Domestic Air Freight Rate Investigation, Docket 22859), it still does not follow that they should therefore lose money on express or should therefore be awarded a low share (assertedly $3.79 million less) of express revenues.

(Continued)

our heretofore stated reservations concerning jurisdiction.11/

In this posture the Board deems it appropriate to request the interested

10/ (Continued)

The next alleged error, labeled "priority and density," actually involves the theory and mechanics of capacity cost allocations: that is, the so-called weight versus space dispute, as well as the weighting factors used. REA states that over $14 million is at stake, but does not segregate the elements involved. Our tentative view is that the ALJ correctly used the space basis of allocation. That method requires the use of relative density as a conversion factor, and the ALJ properly preferred on-board density over dock-side density. He also properly followed precedent by using a priority weighting to allocate costs, since some costs are incurred because of reserving capacity in recognition of the priority agreement and the priority does result in some preference to express on some flights. Cf. Nonpriority Mail Rate Case, Order 70-4-9. However, we do not here pass on the validity of the priority weighting chosen. On the other hand, although REA made no evidentiary showing as to the proper cargo load factor standard and failed to address itself to a passenger load-factor standard, it would appear that airline capacity costs are overstated for at least part of the division period if passenger load-factor standards developed in the Passenger-Fare Case are not applied.

Finally, REA makes a broadside attack on the ALJ's noncapacity costs, asserting a $14.3 million error. The difficulty with REA's presentation is that it relies very heavily on an unsubstantiated judgment that the airlines' cost of handling express traffic is one-sixth that of handling freight. The record shows that at many airports the airlines perform all handling functions, and that even where REA does play a significant role, there are countervailing influences such as the size of express pieces and the expense of runners.

As in the case of REA's costs, we shall not here explore the contentions of the parties with respect to airline express costs. We do note, however, two apparent problem areas: (1) the initial decision disallowed all reservations and sales expense, but some costs in this function do appear to be entailed, as the ALJ appears to have recognized, and (2) a straight-line approach to capacity cost allocations ignores the problem of taper in the short distances common for express shipments.

11/ Similarly, it would be inadvisable at this time to review the countervailing contentions of the airlines which claim REA's costs were overstated and their own costs understated by the ALJ; those of Bureau Counsel, who claims that both airline and REA costs were overstated by the ALJ; or those of the Air Freight Forwarder Association which urges that the ALJ has understated the costs and hence the rates for this competing service. Indeed, as stated above, the airlines have urged that we lack jurisdiction to revisit the past period divisions; and the freight forwarders have at most an extremely attenuated interest in a controversy limited to divisions.

parties to meet in an informal conference, with a view to reaching agreement with respect to such matters as the detailed air express traffic and revenue data for calendar years 1971, 1972, and 1973; methods of evaluating the divisions made under the formula outstanding during the period April 1970 forward; and, if possible, an overall conclusion on the appropriate divisions for the period. REA and the airlines collectively are requested to specify the amounts they respectively received under the air express rate levels in effect, during the periods April 9 - December 31, 1970, calendar year 1971, calendar year 1972, and calendar year 1973, bearing in mind not only the several rate increases but special payments or credits 12/ and deficiencies. 13/ We are hopeful that, with a full understanding of the difficulties, the conferees will be constrained to resolve their own differences and present a stipulation to the Board. If, however, a consensus cannot be reached, then the parties are requested to file briefs with the Board. These briefs are to be addressed to (1) whether the Board has jurisdiction over retroactive adjustments of the divisions of air express revenues, (2) whether assuming jurisdiction, the Board should exercise its discretion to require such adjustments, 14/ (3) whether further procedures are necessary, short of final decision by the Board, and (4) what divisions should be established and the basis therefor.

ACCORDINGLY, IT IS ORDERED THAT:

1. An informal conference shall be convened within thirty day from the date of this order, to be presided over by the Director, Bureau of Economics, for the purpose of assembling factual material and attempting to reach agreement on the divisions of revenues pursuant to operations conducted under Agreements CAB 12866 and CAB 17935, as amended, as discussed above;

2. At the termination of the conference by its chairman, he shall forthwith file with the Board a report, accompanied by such stipulations as have been agreed upon by parties to the above-cited CAB Agreements; and

3. If the parties to the above-cited CAB Agreements have not agreed upon a stipulation of the divisions of revenues prior to the termination of the conference, they may file with the Board within fifteen days of such termination date, briefs addressed to the issues as described above.

By the Civil Aeronautics Board:

(SEAL)

EDWIN Z. HOLLAND
Secretary

12/ E.g., $1.5 million in 1970 and again in 1971 was credited and paid to REA notwithstanding other provisions of the division agreement.

13/ It is our understanding that REA may have deferred payment of some $7 million to the airlines as of the end of 1973.

14/ In this connection the parties should address themselves to (a) whether REA has the burden of proof to establish that the divisions under investigation are unlawful and (b) assuming that the answer to the foregoing is in the affirmative, whether the investigation should be terminated without further proceedings on the ground that REA has not sustained its burden.

Exhibit DD

BEFORE THE

CIVIL AERONAUTICS BOARD

WASHINGTON, D. C.

EXPRESS SERVICE INVESTIGATION	Docket 22388
INVESTIGATION OF AIR EXPRESS RATES	Docket 22387

MOTION OF REA EXPRESS, INC. FOR STAY

Arthur M. Wisehart
REA Express, Inc.
219 East 42 Street
New York, N. Y. 10017

Of Counsel

Peter G. Wolfe

May 24, 1974

BEFORE THE

CIVIL AERONAUTICS BOARD

WASHINGTON, D. C.

EXPRESS SERVICE INVESTIGATION	Docket 22388
INVESTIGATION OF AIR EXPRESS RATES	Docket 22387

MOTION OF REA EXPRESS, INC. FOR STAY

REA Express, Inc. (REA), pursuant to Section 10(d) of the Administrative Procedure Act, hereby moves the Board for a stay of the effective date of Orders 74-5-23 and 74-5-25, dated May 6, 1974, pending judicial review of these orders and related orders in REA Express, Inc. v. Civil Aeronautics Board, United States Court of Appeals for the Second Circuit, No. 74-1611, filed May 7, 1974. The Board has previously granted stays for such a purpose. See Intra-Alaska Case, 30 C.A.B. 885 (1960).

As described more fully below, the granting of a stay in this case is necessary to prevent irreparable injury to the shipping public and to REA, to permit judicial

review to be completed before irreversible damage is done in a case where REA is likely to succeed, and to promote the public interest.

PROCEDURAL BACKGROUND

The current Air Express cases began when REA filed a Petition and Complaint on April 9, 1970, asking (a) that the Air Express arrangement be made permanent and provide for arbitration of future disputes if negotiations were unable to resolve them, (b) that REA be permitted to file independent Air Express tariffs as recommended by the Board in 1948 (9 C.A.B. at 486), and (c) that the amount received by the airlines for Air Express be fairly related to what they charge for other types of cargo (Docket 22096).

The Board dismissed REA's Petition and Complaint, but at the same time initiated two separate investigations: (1) the Investigation of Air Express Rates, Docket 22387, in which future Air Express rates and divisions were placed in issue; and (2) the Express Service Investigation, Docket 22388, in which the continuation of Air Express was placed in issue.

In other words, what REA petitioned for on April 9, 1970 was a remedy. What it got for its pains instead was Docket 22388, a proceeding which both questioned whether the Air Express business carefully built up by REA over 40 years should remain in existence, and invited its arch-competitors, the air freight forwarders -- who previously had not shown the slightest interest -- to apply for the same authority. Approximately twenty-five of them did so.

REA promptly appealed the Board's dismissal of REA's Petition and Complaint (REA Express, Inc. v. Civil Aeronautics Board, 2d Circuit, 1970, No. 35474). The Board thereupon reinstated REA's Petition and Complaint for the purpose of permitting retroactive divisions to be considered in Docket 22387 (Order 71-2-68), and argued to the Court of Appeals that this action mooted out REA's appeal. At that time the Board represented to the Court of Appeals that such order

> "...allows the Board to provide REA a retroactive adjustment of joint fare divisions back to April 9, 1970, the date of the filing of the REA 'Petition and Complaint,' should the Board otherwise determine in the pending investigation (1) that it has the power to determine the divisions between REA and the carriers, (2) that it has the power to compel a retroactive readjustment of such divisions, and (3) that

> such action would be 'just, reasonable and equitable' .... Of course, any determination made by the Board to grant or withhold such relief in the pending investigations will be subject to judicial scrutiny under Section 1006 of the Act 49 U.S.C. 1486). (Motion of Civil Aeronautics Board, p. 5, February 16, 1971; emphasis added.)

The Court of Appeals therefore dismissed REA's appeal as moot on March 15, 1971.

As indicated above, REA's original Petition and Complaint requested that Air Express authority be made permanent so that the service could continue and the necessary investment capital attracted. The Board's initiation of Docket 22388 invited forwarders to apply for Air Express authority, and they did so. REA responded by applying for forwarding authority, only as a fall back position, in addition to Air Express, its first preference, not knowing what the Board's ultimate decision would be on exclusivity.

The Board confounded REA's expectations -- particularly in view of the testimony of the shippers and the findings of the Administrative Law Judge -- by ordering Air Express terminated entirely, with an effective date of June 5, 1974 (Order 73-12-36).* At the same time the Board ordered the airlines to provide priority cargo service, although such a service was and is not in existence. The Board later authorized the airlines to hold discussions of such priority cargo service, denying REA's motion to consolidate such discussions with the Express Service Case (Order 74-2-118, Docket 26238). Such discussions were authorized to

---

*The Board's grant of forwarding authority to REA was conditioned to commence only upon the termination of Air Express. With its lack of capital, REA could not make such a conversion to a very different type of operation and survive. Accordingly, in its petition for reconsideration, REA requested a transitional period

be held in private without admitting the shipping public or REA (Order 74-4-1, Docket 26238). REA's Petition for Reconsideration in Docket 26238, asking that the discussions of priority cargo service be open, was denied (Order 74-5-74).

Since the Board's decision in Order 73-12-36, REA has naturally reviewed its situation. On February 26, 1974 as a result of such review, it communicated its position as follows to the Chairman of the Airlines' Negotiating Committee.

> "A careful and objective, up-dated evaluation of our day-to-day operation -- our improved working relationship -- the effect of the energy crisis -- and the very negative customer reaction that we have had to the recent CAB order dissolving our Air Express priority service partnership have caused us to re-evaluate our corporate position in this matter and to change our policy position regarding Domestic Air Freight Forwarding.
>
> We believe it would be a tragic mistake to allow Air Express to merely "dissolve." We are completely convinced that it is in the best interests of the shipping public, the airline industry, the regulatory agencies and REA for us and the airlines to jointly, aggressively, and in a statesmanlike manner, seek a reversal of the CAB Order in Docket 22388 -- the Air Express Service Investigation case."*

Preservation of Air Express thus is the key corporate objective of REA as to its future air services, and we respectfully ask that the Board act upon this request for a stay in the context of that policy. REA does not want to be an air freight forwarder.

As a result of REA's above statement of position, REA and the airlines had had further discussions looking to the continuation of Air Express. Accordingly

---

(cont. fr. p. 4)
that Air Express must be continued in the public interest). However, the Board has ruled this out (Order 74-5-25).

*Emphasis added. REA further indicated that it would

they concluded the attached agreement on March 28 dealing with payments through June 1975 and reached tentative agreement on other matters as set forth in the same attachment (Appendix A). A motion to extend Air Express until January 31, 1975 was made by REA so that the Air Express parties would have ample time to reach a successful conclusion of their discussions. A supporting request was submitted on behalf of twenty-four airlines. However, Air Express was extended only until July 31, 1974 (Order 74-5-25, Docket 22388).

The Board's order removed the prospect that the negotiations between REA and the airlines can ever succeed, in the light of its unwarranted and erroneous conclusions about the continuation of Air Express in the public interest, and judicial review of the correctness of that decision therefore became essential.*

---

*At the same time, for a variety of reasons, the Board indicated that it was not deciding the issues before it in Docket 22387 and ordered the airlines and REA to hold discussions on issues of retroactive divisions pending in that case (Order 74-5-23). The Board also refused to consolidate it with Domestic Air Freight Rate Investigation, Docket 22859 (Order 74-5-24), or to reopen the record, despite the Board's finding that the record was inadequate.

I. IMPORTANCE OF JUDICIAL REVIEW: PROBABILITY OF SUCCESS ON THE MERITS

REA believes that the Board committed a number of serious errors and that REA will be successful on appeal in Court. It therefore requests this stay so that its opportunity for judicial review and the possibility of effective judicial relief will not be precluded through the termination of Air Express.

A.

The Board ordered the termination of Air Express, finding that "cessation of Air Express service will have no material impact on the public." (Order 73-12-36, p. 22) As stated below in the section on irreparable injury, this conclusion is contradicted by all the evidence presented by shippers who testified in the record as well as by the finding of the Administrative Law Judge. Further it is based on mere speculation.

The Board ignored the findings of Administrative Law Judge Keith, ignored the testimony of shippers that they needed Air Express based on actual Air Express operations for a period of over 40 years, and instead relied on speculations and self-serving declarations by competitors

hoping to profit from REA's demise. Its decision is therefore not supported by substantial evidence.

Pursuant to Section 1006(e) of the Federal Aviation Act (49 U.S.C. §1486(e)) and Section 10(e) of the Administrative Procedure Act (5 U.S.C. §706(e)), the Board's finding cannot be sustained in such circumstances. The Administrative Law Judge's finding and conclusions must be taken into account:

> "Observation of the witnesses is likely to give a more accurate feel than reading a cold record;...The Trial Examiner had 'lived with the case' -- an opportunity not vouchsafed to the Board, and his conflicting report carries some weight against the existence of substantial evidence to support the Board's conclusion" N.L.R.B. v. Majestic Weaving Co., 355 F. 2d 854, 859 (2d Cir. 1966).

A decision is not supported by substantial evidence when it relies on the speculations and assumptions of witnesses and ignores evidence of actual operations and "the necessities of the shipper and the requirements and demands of customers." Aero Trucking, Inc. v. United States, 346 F. Supp. 827, 830(W.D. Pa. 1966). See also Cream Wipt Food Prod. Co. v. Federal Security Administrator, 187 F. 2d 789 (3d Cir. 1951).

B.

The Board found there was a need for priority service, and yet is requiring Air Express to expire prior to the establishment or evaluation of any substitute service. The Board did not consider what alternatives it had to Air Express service in the context of the Express Service Investigation and at what rates such service would be provided. Instead, it ordered the termination of Air Express on the basis of an unknown and untested priority service by the airlines. Further, the Board not only refused to consolidate the airlines' discussions of priority service into the Express Service Investigation, but also effectively precluded REA and the shipping public from participating in those discussions. In essence, the Board has removed an issue from the Express Service Case* and ordered that it be decided in the context of another proceeding, in an ex parte manner instead of on an open record. At the same time, it ordered

---

*Order 70-7-110, which instituted the Express Service Investigation, in this Docket, stated as one of the issues (p. 5):

> "Whether the public convenience and necessity require alteration, amendment, or modification of the certificates of the scheduled air carriers to authorize the provisions by the scheduled certificated airlines of a distinct class of priority cargo service (such as air express) either directly by the airlines or through indirect air carriers, or both."

the termination of Air Express service on a date certain before the new service can possibly be developed, proposed, and its adequacy tested, in an evidentiary proceeding. As a leading authority has said:

> "The cardinal principle of fair hearing is...that parties should have the opportunity to meet in appropriate fashion all facts that influence the disposition of the case....Nothing short of bringing the facts into the record, so that an unabridged opportunity is allowed for cross-examination and for presentation of rebuttal evidence, will suffice for disputed adjudicative facts at the center of the controversy. Debatable and critical legislative facts probably need not always be brought into the record, but such facts should be subject to challenge through briefs and argument...." (K. Davis, Administrative Law Treatise, Vol. II, p. 432).

In United States v. Abilene & So. Ry. Co., 265 U.S. 274 (1924), on review of a proceeding instituted by the Interstate Commerce Commission to determine division of rail rates, the United States Supreme Court held that in any proceeding in favor of one carrier as against another, the decision may not be based on evidence not of record. See also Morgan v. United States, 298 U.S. 468 (1936). The courts have also held that evidence or arguments may not be submitted by one party in a hearing without giving his adversary notice so that he can respond appropriately, either

by cross-examination or rebuttal evidence and arguments. Morgan v. United States, 304 U.S. 1 (1937); Burrow v. Finch, 299 F. Supp. 807 (W.D. Mo. 1969), rvsd. on other grounds, 431 F.2d 486(8th Cir.1970). In the second Morgan case, supra, although the proceeding was a general rate investigation, the Supreme Court held that it was adversary in nature because fixing rates might drive respondents out of business. In Nadick v. Civil Aeronautics Board, 305 F. 2d 588 (5th Cir. 1962), the Court said citing the Administrative Procedure Act:

> "It is the considered judgment of Congress that the interest of neither the public nor the person under charge is adequately cared for if the adjudicatory tribunal is to have access to the ex parte partisan views of the investigatory-prosecutorial partisan staff or the material assembled by their efforts." (394 F. 2d 588, 594 (5th Cir. 1962))

The private discussions authorized in the Board's orders relate directly to an issue necessary to the decision on the termination of Air Express, namely that a satisfactory replacement service will be provided. These discussions not only are outside the record, they are even more tainted by the fact that the Board's staff will be present and exposed to the ex parte views of the airline participants. Under the Administrative Procedure Act a

hearing on a record is required for disposition of this issue, and denial of a hearing violates REA's rights and the rights of its shippers, employees, and creditors.

The Board has placed REA in the classic Ashbacker situation. In Ashbacker Radio Co. v. F.C.C., 326 U.S. 327, 333 (1945), the Supreme Court held that "where two bona fide applications are mutually exclusive the grant of one without hearing to both deprives the loser of the opportunity which Congress chose to give him." Air Express and a substitute priority cargo service are mutually exclusive services. The Board has indicated that it will terminate Air Express service and that some undefined proposals for a cargo service will replace it. Ashbacker therefore requires a comparative hearing on the merits of both proposals before Air Express is terminated.

No evidence of record supports the Board's conclusion that satisfactory priority service can or will be provided by the airlines in the absence of Air Express. No shipper testified that such hypothetical service would meet his needs. The self-serving declarations of air freight forwarders, hoping to profit from REA's demise, are not evidence of the fact that such a service will be provided,

or that in practice it can meet the needs of the shipping public.

The Board ignored the shipper testimony and its own finding that priority service is needed in favor of a system the characteristics of which, and the rates to be charged, have not been proposed or ruled upon. Thus no such service could be considered as an alternative to Air Express based on the record made in the case. Unless the alternative service is both (a) developed and then (b) proved to be superior to Air Express, termination of Air Express would arbitrarily and capriciously deprive REA of its property interest in a business it has operated for over forty years, and deprive shippers of the use of the service without due process of law.

C.

As the Supreme Court stated in Atchison, Topeka & Santa Fe Railway Co. v. Wichita Board of Trade, 412 U.S. 800, 817 (1973):

> "Even giving the Commission's opinion the most sympathetic reading we find possible, we cannot discover in it an expressed reason for permitting the railroads to reduce their service without showing that the rates they propose to maintain are reasonable rates for the service they intend to provide." (Emphasis added.)

And the Board cannot properly decide the rates to be charged

for priority cargo service unless it knows what the service will be. Moreover, until final adjudication of the substantive issues in the Rates Case, Docket 22387, the Board will be unable to compare any rates which may in the future be proposed for priority cargo service with reasonable rates for Air Express. Thus the record provides no basis for determining whether the proposed replacement service will be adequate, at rates which will be just and reasonable in comparison with those already in existence. This is especially true because the airlines' start-up costs of a new service will have to be reflected in higher rates.

D.

The dispute undecided by the Board in Order 74-5-23 is that which was the subject of the Petition and Complaint filed by REA on April 9, 1970 in Docket 22096. REA filed that document because it sought permanent Air Express authority and there were important legal questions open which made it difficult for the parties to reach agreement on other issues. It contended that the Board had the duty to determine such questions under Sections 404, 411 and 1002 of the Federal Aviation Act. The Board responded by dismissing the Petition and Complaint, and instituting two different types of proceedings (Orders 70-7-109, 70-7-110).

In view of the economic issues presented in the

Rates Case, the Board had no basis for deciding the public interest factors involved in the Service Case without deciding the Rates Case first. In short, Order 74-5-23 puts the cart before the horse: it refuses to decide the Rates Case on the theory that the Board has already decided the Service Case. But this is completely circular. The grounds for decision in the Service Case can not withstand judicial scrutiny without a prior ruling on the economic issues presented in the Rates case. Even the bare legal issue of whether the Board has power to determine divisions remains undecided -- although this matter has been fully briefed and argued on three separate occasions during a period of over four years(!): (1) before the U.S. Court of Appeals in REA v. Civil Aeronautics Board, No.35474 (2d Cir. 1970) dismissed for mootness; (2) before the Administrative Law Judge; and (3) before the Board on review.

Acceptance of REA's adjustments to the Initial Decision in the Rates Case for just the period of April 1970 through July 1971 alone would have resulted in a payment of over $20 million. The Board has made no finding that $20 million would be insufficient to cure REA's financial problems, nor could it in view of the failure to decide the issue. Thus the Board's finding that REA's financial situation in Air Express can be alleviated "only...if at all" b

a substantial increase in volume is patently premised on a mere assumption without record support (Order 74-5-25, p. 11) and on the Board's adamant refusal to rule on the tendered issues.

As pointed out above (p. 3), when the Board moved to dismiss REA's earlier appeal, the Board represented to the Court that decision on the appeal was unnecessary because the Board's action reinstating REA's Petition and Complaint would allow REA's claim for retroactive adjustment of the divisions to be determined back to April 9, 1970. The Board further stated to the Court that the Board's determination to grant or withhold such relief "...will be subject to judicial scrutiny under Section 1006 of the Act" (p. 5).

We respectfully submit that the time for such judicial scrutiny has now arrived. A stay should be granted so that judicial review may be rendered effectively, without the impending termination of Air Express handing like the proverbial Sword of Damocles over the subject of the litigation.

E.

The National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. §4332, requires agencies to prepare

detailed statements on the effect on the environment of "major Federal actions significantly affecting the quality of the human environment." The Board's decision contained no such statement. Yet the termination of Air Express will have a significant effect on the environment.

Air Express is a nationwide system in which pickup and delivery is handled by a single operator. If pickup and delivery of Air Express shipments were perfomed by various airlines and air freight forwarders, a proliferation of vehicles would add to congestion on the airports. (Testomony of Airline Witness Eichner, Docket 22388, Tr. 386). This evidence is undisputed in the record. At minimum, an environmental statement and findings are required in such circumstances. This requirement can not be ignored, waived, or disregarded because "primary responsibility under the act rests with the agency." City of New York v. United States, 337 F. Supp. 150, 160 (E.D.N.Y. 1972): Arizona Public Service Co. v. Federal Power Commission, 483 F. 2d 1275 (D.C. Cir. 1973).

II. IRREPARABLE INJURY

Failure to grant the requested stay will result in irreparable injury to the shipping public, to REA, to REA's creditors including the airlines, to REA's thousands of employees, and to REA's non-Air Express services including its vital and unique surface express operation.

A.

The irreparable injury which termination of Air Express would inflict upon the shipping public of the United States is well established by the decisions of the District Court for the District of Columbia in Allied American Bird Company et al. v. REA Express, Inc. et al., U. S. District Court, District of Columbia, No. 2289-70 (1970). In that case, Judge William B. Jones granted a temporary restraining order against the termination of Air Express upon a showing that "plaintiffs [the shippers] will suffer immediate and irreparable injury in the form of financial disaster." (Temporary Restraining Order, dated July 31, 1970). Moreover the order was extended twice by Judge June L. Green.

Further, the record in the Express Service Case and the Administrative Law Judge's findings demonstrate that shippers nation-wide are dependent upon Air Express. Its

termination will put many of them out of business.

The effect on specialized market segments such as shippers of live animals and birds (Exhibits AAB-100; AAB-200-328; AAB-600-603; REA-354, Docket 22388), and radioactive materials and materials requiring security (Exhibits NITL-DE-1;2; REA-354), and shippers in the small towns and villages across America, would be disastrous.

Hundreds of shippers have responded to Docket 26238, the Inter-Carrier Discussions Concerning the Creation of Industry-Wide Priority Cargo Service. They have clearly and emphatically declared that they have a clear need for the services that have been performed by REA's Air Express, and that there is no existing substitute. Many of the shippers express their dissatisfaction with the disorganized procedures that have thus far obtained during the airlines' discussions. The shippers repeatedly stated that they require all of the things which Air Express now provides: single-carrier responsibility, simple documentation, expedited ground handling, airlift priority, widespread geographical coverage, extensive commodity coverage, a single ground agency, simple tariffs, speed and consistency, specialized services, and reasonable rates.

As the National Small Shipments Traffic Conference said in its recent concurrence in REA's motion for extension of Air Express:

> "In short, NSSTC's members have a vital interest in the preservation of air Express service, they constitute a broad shipper spectrum and indicate that need for air express service is widespread among the shipping public. Unless REA's motion is granted air express service will terminate in two months, and in the interim the airlines show no likelihood of devising and implementing an adequate substitute." (p. 3)

If Air Express is allowed to expire, these shippers will be deprived of the only service that meets their needs, at an undetermined but incalculable cost to them.

B.

REA has operated Air Express for over forty years, and Air Express today constitutes approximately 40% of REA's total revenues. An immediate termination of Air Express on July 31 will mean an enormous immediate drop in revenues, compounded by the continuing fixed cost of factors such as equipment, facilities and leases which would be far in excess of the needs of REA's remaining operation. It is clear that such a disaster would mean the unnecessary

obliteration of REA. REA could not avert this disaster by becoming an air freight forwarder: it lacks the capital to do so. Once gone, it will be too late to reconstitute REA in any other form, and its investment of money, effort, and property -- its heritage of over 130 years as an American institution, with its origins in the days of the Pony Express -- would be forever lost.

C.

REA employees will also suffer irreparable harm. The result of the Board's action will be to throw approximately 15,000 persons out of work. In cases involving merger or reorganization or suspension or deletion of a carrier's operating authority, the Board has imposed labor protective conditions to prevent such catastrophies. Kent v. Civil Aeronautics Board, 204 F. 2d 263 (2d Cir. 1953); Seven States Area Investigation, 30 C.A.B. 473, 474 (1959). In the Seven States Case the Board had before it the effect on employees of the suspension and deletion of Braniff and Western at various points, and imposed labor protective provisions. Here the effect on employees will be far greater -- thousands will lose their jobs. The Board's observation that the "net impact on the industry's employees will be a favorable one" (Order 75-5-25, p. 18) displays a singular insensitivity to

the effect on the employees actually involved -- those who have devoted their entire working careers to Air Express. The fact is that the effect on REA employees will involve severe dislocation. Fifteen thousand families will lose their chief source of employment -- and it is certainly no answer to them to say that, "Never mind, others will profit from what you have lost."

The basic effect of the termination of Air Express is to benefit the air freight forwarders and their employees. It is they who will succeed to the business and jobs provided by Air Express. In such a situation equitable principles, and labor protective considerations, mandate the following conditions: (1) that Air Express be continued until if and when a clearly superior service is developed to replace it; (2) if such a service is developed, REA and its Air Express employees be permitted to perform it; and (3) at a minimum, a stay be granted until such time as judicial review of the propriety of the Board's action is completed. Short of such provisions, REA's employees will be irreparably harmed, through no fault of their own, contrary to the Board's policy of appropriate labor protective conditions.

D.

REA's creditors will suffer irreparable injury. REA owes approximately $7.6 million to the airlines, and also has hundreds of other general creditors. The latter include small businesses such as gasoline stations and repair shops. Such businesses naturally are dependent on REA's business, and payment for their services. Without such payments, many may be forced out of business. They, too, have a very great interest in a stay of the Board's action pending judicial review. REA made a $400,000 profit in March and it appears that it also made a substantial profit in April. The jeopardy in which the Board's action places creditors therefore is entirely unnecessary. Further, twenty-four airlines have indicated their support to an extension of Air Express beyond that granted by the Board. The interests of these airlines, as unsecured creditors of REA as well as partners in the Air Express enterprise, would certainly be irreparably injured if the stay is not granted.*

---

*The statement in Order 74-5-25 that the four carriers not supporting the extension "account for 35 percent of all air express traffic" gives the misleading impression that without them Air Express traffic would automatically drop by 35%. Such is not the case. The 35% figure results from the division of traffic under the Air Express Agreement. Without the four carriers in question, most of the traffic would be handled through other airlines. In addition, the four carriers in question have indicated that their decision was based mainly on financial considerations, and that they will reevaluate their decision if Air Express is extended.

E.

In time of fuel crisis and pollution problems, when federal agencies are under a mandate to prepare detailed statements considering the effect on the environment of "major Federal actions significantly affecting the quality of the human environment" (42 U.S.C. §4332), an order which contains no such statement and has the effect of requiring the increased use of trucks to provide service to, from and on airports throughout the United States would cause irreparable damage to the environment, and should not be implemented without the opportunity of judicial review.

F.

If REA is forced out of business by the termination of Air Express, its nationwide surface express service, which is required by shippers throughout the nation will also cease to exist. In Northern Freight Lines v. United States, 304 F. Supp 536 (N.D. Ga. 1969), affd., 397 U.S. 247 (1970), the court affirmed the Interstate Commerce Commission's ruling that REA should have larger terminal areas than motor carriers because it is truly unique. The Court emphasized the shipping public's reliance on REA for surface transportation (304 F. Supp. at 542):

> "REA continues to meet the special needs of shipper dependence of REA service. This public dependence is based on many factors: REA's delivery service...; its single carrier nationwide coverage...: the simplicity of its rate structure for small shipments...; its ability to handle items, often at no extra charge, which necessitate protective services...; its expedited handling of small shipments of the minimum charge category, a service 'not readily available elsewhere'...; its flexibility in modifying terminal areas to meet industrial relocation in suburban and outlying areas outside MC-37 zones and beyond previously established express areas...; its dependable willingness to take items of high value, danger or perishability...."

The shippers who rely on surface express for the above services will have no reasonable recourse if Air Express is terminated on July 31 and REA is destroyed as a transportation system.

G.

The granting of a stay can only be beneficial to the public interest. Order 73-12-36 found that the proposal the Board was adopting would "allow REA and other forwarders to serve all or most of the market, probably at somewhat higher rates." (p. 4) The service proposed in Order 73-12-36 not only will be inferior to current service, and at higher rates, but also will deprive some communities and particular segments of traffic of all service.

No comparable alternative to Air Express service presently exists, and shippers have overwhelmingly said that they require the service they are now receiving from Air Express. A stay pending judicial review will promote the public interest by continuing the superior and extensive service and coverage the shippers are now receiving and delaying the as yet unplanned and undesigned inferior service they would receive - at what higher rates no one can guess - if Air Express were terminated.

The facts of record show that a stay would result in continuation of the status quo, a status quo found desirable by all the shippers who testified, which has continued for forty years, and which REA and the airlines have agreed to continue. The forwarders can hardly be substantially harmed by a stay that embodies continuation of the very circumstances under which they originated and have developed. Failure to grant such a stay would involve a confiscation of property and job interests without due process of law.

H.

Order 75-5-23 requires REA and the airlines to discuss the issues of retroactive divisions. These meetings will be an exercise in futility if the Court reverses the

Board's orders. The parties can hardly be expected to agree if the very basis of the meetings is an unresolved legal question under judicial review. That order, therefore, also should be stayed pending such review.

I.

It is essential that REA receive prompt action on its request for a stay. If a stay is to be granted or not, the shippers need to be so advised well before July 31 so that they can make their plans accordingly. Further, the deterioration in the volume of Air Express shipments, as the July 31 date draws closer, must be stopped at the earliest possible time, in view of REA's critical financial situation.

Expeditious action therefore is requested. To prevent REA and its employees, as well as the shippers, from suffering irreparable injury, REA will need to apply for a stay in Court in a timely manner if the Board does not

act favorably upon this motion. So that the Court will have adequate time to act well before the July 31 termination date, and protect Air Express business from further deterioration caused by that date, our plan would be to file such application with the Court on or about June 17, 1973. We therefore request Board action prior to that date.

WHEREFORE, REA Express, Inc. requests that the Board expeditiously stay the effect of Orders 74-5-25 and 74-5-23 pending completion of judicial review and for 60 days thereafter.

Respectfully submitted,

Arthur M. Wisehart

Of Counsel
Peter G. Wolfe

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the above motion to be served upon the parties to Docket 22387 and 22388 by first-class mail.

Peter G. Wolfe

May 24, 1974

APPENDIX A

JOINT COMMITTEE AIR EXPRESS

Co-Chairmen:
ROBERT H. REED for the Airlines
J. A. TETER for REA Express
Secretary:
G. J. GODBOUT

April 19, 1974

JOINT COMMITTEE MEMORANDUM NO. 5

TO: Joint Committee for Air Express

SUBJECT: NEGOTIATION SESSION PROGRESS REPORT AND UPDATE OF REA FINANCIAL POSITION

REA Express and several air carriers have requested that information concerning the negotiating meeting held on March 28, 1974 be distributed. The report follows. REA has requested that this information be disseminated to all appropriate and interested officials of the airlines.

A. Weekly Advance Payments and Debt Payment Schedule

A memorandum of understanding, copy attached, was signed by Tom Kole for REA and Otto Becker as Chairman of the airlines Negotiating Committee. The memorandum provides for REA to continue weekly advance payments to the airlines through January 31, 1975. This is subject to the Board granting an extension to that date.

Subject to a further extension beyond January 31, 1975, the memorandum provides for a continuation of the weekly advance payments and a monthly schedule through June 1975 for repayment of the December 1973 amount due the carriers. The current amendment to the agreement provides for a return December 31, 1974 to the former payment schedule under which weekly advance payments would cease and the amount for December would be due as a lump sum payment January 30, 1975. This will effectively reduce the airlines exposure steadily each week until July 1975 when REA will commence paying the air carriers their share of air express revenue every 15 days.

B. Termination Clause

Language was developed, copy attached, which would establish the Air Express Agreement as a "continuous" document rather than one of a five-year duration. Airlines or REA would have the right to withdraw on the anniversary date by giving one year's notice.

C. Payment for Receipt and Delivery of Air Express From or To the Public

REA has agreed to pay a minimum of $2.00 per waybill to the airlines performing origin or destination handling of air express where REA does not have airport offices nor personnel. This will start 30 days after CAB action on the petition for extension of the termination date.

D. Tariff Approach

General agreement was reached on changing the current Door to Door tariff structure to a concept of an airport to airport charge and a REA pick-up and/or delivery charge for air express shipments. Specifics as to the applicable cost related factors will be developed by the Tariffs Subcommittee. It is contemplated that a revised tariff would be filed shortly after approval of the Air Express Committee.

E. Substitute Service

An ad hoc group was appointed to develop procedures for handling and payment for substitute service which does not penalize the air carrier. (The ad hoc group has met and a report will be given at the next meeting of the Negotiating Committee).

F. Tariff Publishing Agent

After review of costs and operation of the tariff publishing agent, it was agreed that Tom Miano of REA should retain this function. Provisions would be inserted into the agreement which will require written concurrence from both parties on any changes to the Air Express tariff. The title of the person authorized to sign for the airline parties would also be inserted in the Agreement.

In addition, Mr. Kole will give written instructions to Mr. Miano concerning these provisions, a copy of which will be given to the air carriers.

G. Next Meeting

The next meeting of the Negotiating Committee is scheduled Tuesday, April 23, 1974, at REA Headquarters in New York. Discussions are planned on a marketing plan and further discussion will be held on the proposed tariff approach.

UPDATE OF REA FINANCIAL POSITION

(A) In February they had a profit of $500,000, primarily because of the sale of some stock valued at approximately $1 million. They had originally projected $500,000 loss from operations.

(B). In March they hit their projected $570,000 profit from operations.

(C) They are current on all Air Express COD payments.

(D) They remain current on their repayment schedule to the air carriers. They remain current on advance payments to the air carriers.

G. J. Godbout
Secretary

GJG/jw
Attachment

MEMORANDUM OF UNDERSTANDING BETWEEN REA EXPRESS AND THE AIRLINES NEGOTIATING COMMITTEE

(1) If the CAB grants extension of the effective date of its Order in the Express Service Case from June 5, 1974, to January 31, 1975, REA Express will continue to make advance payments to the airlines through January 31, 1975.

(2) If the CAB permits air express service to continue beyond January 31, 1975, under a revised agreement, REA Express and the airlines will amend the debt payment schedule to provide for a continuation of the existing prepayment, principal payments, and interest payments on the remaining debt through June, 1975. Commencing with July, 1975, REA will pay the airlines their share of air express revenues on a semi-monthly basis as follows: on the 31st of each month REA will pay the airlines for the first fifteen days of that month, and on the 15th day of each month REA will pay the airlines for the balance of the preceding month.

Executed this 28th day of March, 1974.

REA Express

by _____

Airlines Air Express Negotiating Committee

by _____

TERMINATION CLAUSE

This agreement shall be of continuous duration, subject to the right of REA Express and/or any airline party to terminate its participation in this Agreement effective upon any anniversary date of this Agreement by serving upon all other parties to the Agreement at least twelve months prior to such termination date written notice of such determination to terminate. Any party receiving such notice shall have the right within thirty days after such receipt to serve upon all other parties its notice of termination effective upon the same anniversary date.

Exhibit EE
Order 74-6-118

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 26th day of June, 1974

EXPRESS SERVICE INVESTIGATION	:	Docket 22388

ORDER DENYING MOTION FOR STAY
OF ORDERS 73-12-36 AND 74-5-25

In our Opinion 1/ and Supplemental Opinion 2/ in this proceeding we concluded that (1) as a practical matter air express in anything resembling its present form cannot long survive; (2) any attempt by the Board to change the airline-REA air express relationship in order to restore the air express system, and REA, to viability would not work and in any case would not be in the public interest; and (3) because of the vast changes in the air cargo industry since the birth of air express, termination of the arrangement will not deprive the public of any unique benefits (even assuming that Board action could prevent the demise of air express). Accordingly, we granted REA nationwide air freight forwarder authority and provided that the air express system, and REA's authority as the air express ground agent, would end upon the commencement by REA of air freight forwarder operations, but in no event later than July 31, 1974.

REA now asks that we stay the effective date of our Orders pending judicial review. 3/ REA claims that the likelihood is that our decision will be reversed, and that a stay is necessary to prevent irreparable injury to the public interest, to REA's customers and creditors, to REA employees and to REA itself.

The Pet Industry Parties have filed an answer in support of REA's motion for stay. Emery Air Freight Corporation, the Air Freight Forwarders Association and United Air Lines have filed answers in opposition to the stay. A pleading by the Participating Airlines appears to indicate that 24 of the airlines presently participating in the air express arrangement favor grant of the

---

1/ Order 73-12-36.
2/ Order 74-5-25.
3/ Although REA in terms has requested in Docket 22388 only a stay of Order 74-5-25, we shall treat its motion as encompassing as well a request to stay our decision in Order 73-12-36. REA also asks that we stay the effectiveness of our order in the Investigation of Air Express Rates case, Order 74-5-23. We deal with that aspect of REA's motion in a separate order.

stay, while several others (in addition to United) do not. Finally, REA has filed a reply to the answers of Emery and the Air Freight Forwarders Association. 4/

We have decided not to grant the stay sought by REA because it is our judgment that delaying the implementation of our decision will work to the advantage of neither the public interest nor REA.

We turn first to REA's contention that our decision, if not stayed, will result in REA's demise.

To begin with, we cannot accept REA's claim that although it is in sufficiently good economic shape to remain viable if our decision in this proceeding is stayed, it nevertheless cannot make a changeover to air freight forwarder operations, and that the implementation of our requirement that it make the change would mean the end of REA.

In our view the facts at hand show that REA's chances of staying alive are better as an air freight forwarder than as ground agent for air express, and that the probability of REA being able to make the switch is higher if it does so now than if it waits. Indeed, REA's request for a stay seems more of an expression of REA's reluctance to break with the past than an assessment of the precarious realities REA faces.

It is by no means clear that REA is in fact unable to make the shift to air freight forwarder. REA has long sought forwarding authority. REA's chief executive officer has stated that absent major modifications of the airlines-REA relationship -- which modifications we found infeasible and contrary to the public interest -- REA "would be better off as an air freight forwarder." It has its long-standing customers and a staff fully familiar with the air cargo business. And REA has yet to explain why its existing equipment and facilities are not suitable for air freight forwarder operations. We discussed these same matters in our Supplemental Opinion, 6/ and there noted that REA's contentions that it could not promptly make the switch to air freight forwarder were without factual support. Notwithstanding this invitation for hard evidence, REA's contentions on this point in its motion for stay are made without factual support other than references to its ongoing financial difficulties. But as we now discuss, to whatever extent that REA's financial problems indicate that the company may be too weak to shift to forwarder operations, there is considerably greater evidence that REA faces an imminent end if it does not change.

In our Opinion in this proceeding we referred to the deterioration of REA's financial position noting, among other things, that in the seven years ended December 1972 REA lost about 68 million dollars, and that its liabilities far exceed its assets. Things have not gotten any better for REA. It lost

---

4/ We will grant REA's motion to file this otherwise unauthorized document.

5/ Hearing Tr. at 920.

6/ At p. 17.

$8,500,000 in 1973 and has been losing money at just as fast a pace this year: REA's operating losses during the first quarter of 1974 were $1,686,000, slightly more than its losses in the same period in 1973.7/ The continuation of severe losses this year comes despite sharp increases in air express rates and the percentage of air express revenues going to REA. A major part of the problem seems to be a very substantial decline in shipments compared to last year. (For instance, REA advises that April air express shipments were down 16 percent.)8/

REA states that a further rate increase will return it to profitability. However REA has made the same claim with respect to several recent rate increase filings and they have been shown to have been erroneous. Moreover the assumptions upon which REA's forecast is based are badly in error, including traffic predictions that are overstated 9/ and overly optimistic cost projections. The fact is that REA's financial position, if it continues to operate as air express ground agent, is soon going to be untenable. Even if REA's losses were to continue at only their present pace, the increasing gap between REA's liabilities and cash needs, on the one hand, and its assets and revenues, on the other, spell imminent disaster. Thus even REA's supporters among the airlines state that if the Board were to grant a stay in this proceeding, our order should "provide expressly . . . that it shall be without prejudice to the right of the airlines . . . to terminate air express service forthwith in the event REA should default in any payment due the airlines thereunder."10/

Furthermore, REA's contentions about its continued viability as air express ground agent rest on the assumption that the air express system, upon which REA is at present almost wholly dependent, can continue on as is for at least the period in which the court has our decision under review. But the facts have already shown that assumption to be in error. On June 14 Delta Air Lines and Southern Airlines stopped handling air express shipments and thus air express ceased being a service of all the domestic carriers. (Such action was in accordance with tariff

---

7/ REA nonetheless states that it "made a $400,000 profit in March and it appears that it also made a substantial profit in April." (Motion for Stay at p. 23.) However REA provides no backup figures at all for that statement. Moreover, the statement is difficult to accept at face value since it is so inconsistent with the data and projections included in REA's most recent tariff filing. Even assuming the accuracy of the statement, however, it suggests only that REA may have enjoyed a brief and not to be repeated respite from its saga of endless losses. If there has been such a respite, and if it is to be given any significance at all, it suggests only that because REA's cash drain was stopped for at least a brief period its chances of shifting to air freight forwarder operation are somewhat better than might otherwise be expected.

8/ Traffic and financial figures are from REA's recent tariff filing. REA has asked that those figures be incorporated by reference into its pleadings on the motion for stay. See affidavit of REA's Vice President-Finance attached to REA's Reply.

9/ Thus REA assumes that the rate increase will have no effect on traffic volume (i.e., perfect inelasticity of demand). Such an assumption is on its face an erroneous one. Moreover REA's own evidence in the proceeding makes the point that the demand for air express service is significantly elastic: See, Statement of Witness Nelson at 11.

10/ Answer of Participating Airlines to Motion of REA Express Inc., for Stay, at 5.

filings by the two airlines. REA filed no objection to those tariff changes.) North Central and Northwest are next, with their air express service due to stop on July 2 and July 31, respectively. And United -- the nation's largest carrier — has unequivocally stated that it will terminate its connection with air express in November, which is as soon as the notification requirements of the air express agreements permit. 11/ The effect of these carrier actions is to entirely preclude some shipments from moving by air express (but not by air freight) and in many other cases to greatly add to REA's difficulties and to consumer dissatisfaction with air express. Delta and Southern alone, after all, provide the only direct service in a number of significant markets, and a major part of the capacity in others.

In light of all of the foregoing considerations, we cannot conclude that a failure to stay our decisions in this proceeding will do irreparable injury to REA: A stay will not save REA, and a prompt shift from express ground agent to air freight forwarder is more likely to help REA than to hurt it. There is no guarantee, of course, that REA will be able to avoid demise by switching to air freight forwarder operations. But in our judgment its chances for life are considerably greater as a forwarder than as air express ground agent; and as discussed above the sooner the shift is made the more likely its chances of success.

The claims of irreparable injury to REA's employees, customers and creditors rest upon REA's statements that it would be able to continue in existence if the Board's decision is stayed, but that it will have to stop if the Board's order becomes effective. As stated above, we disagree with both lines of that argument. If we are correct in our view that REA's best chance for continued viability is to shift promptly to air freight forwarder operations, a grant of REA's motion for stay would do more harm than good for REA's employees, customers, 12/ creditors, and any others who may be dependent upon REA's continued existence.

Similar considerations also apply in respect to the public generally. The very purpose of this proceeding was to determine what Board action would be most in the public interest in respect to the indirect air carrier authority of REA express and the related agreements between the various

---

11/ The agreements provide for a six-month notice-of-termination period. United gave its notice on May 22, 1974. The Board is advised that Piedmont presented its notice of termination shortly after United did, thus enabling it to withdraw from air express service on November 29. A listing of points served only by Delta, North Central, Northwest and Southern, and some major markets served by those carriers, is attached as an appendix.

12/ In this context we include REA's surface and international air freight forwarder customers as well as air express shippers.

airlines and REA. We concluded that the nation's shippers will be better served when air express is ended, and that prompt termination of REA's express ground agent authority and the air express agreements is in order. We remain of that view. In respect to REA's motion for stay, since a stay will not preserve REA's existence as express ground agent, and since a prompt shift by REA to air freight forwarder operations offers REA the best chance of continued viability, we believe that the interests of the public, as well as those of REA, would be disserved by a grant of REA's motion for stay.

We turn now to REA's argument that our decision is unsupportable and that REA will succeed in obtaining a reversal of the Board's decision on review.

Ultimate determination of whether the Board's actions in this proceeding were a proper exercise of its responsibilities will, of course, be for the courts to decide. However, as we view the matter, there has been no showing that our decision in this proceeding is likely to be overturned on review.

At the outset we note that REA argues that the Board's decision is legally deficient in that it failed to consider the Administrative Law Judge's initial decision and shipper testimony, presumably because the conclusions reached in such decision and testimony differed from those reached by the Board. The Board thoroughly considered the Judge's findings and conclusions, together with the record, as witnessed by the numerous references in our Opinions thereto.

REA again contends that the Board could not validly terminate the present air express arrangement until a substitute has been effected, and that the Board erred in not consolidating the airline discussions in Docket 26238 13/ with this proceeding. However, we have discussed elsewhere why we concluded that awaiting the further development of alternatives to air express services is infeasible and not in the public interest: See, for example, Supplemental Opinion at pp. 8 and 10. Similarly, REA's contentions with respect to the Board's alleged error in not consolidating the airline discussion in Docket 26238 with this proceeding have been previously raised by REA, and rejected by the Board.14/

13/ In the Matter of the Petition of the Airlines Participating in Air Express Service for authorization of inter-carrier discussions concerning the creation of an industry-wide priority cargo service.

14/ See Orders 74-2-118, February 27, 1974, 74-4-1, April 1, 1974, and 74-5-74, May 14, 1974.

REA also contends that the Ashbacker principle requires that the Board give comparative consideration to REA's current air express service and the priority service that the airlines must provide since the services are mutually exclusive. REA maintains that the Board's failure to do so, and the Board's failure to include REA as a party to the air carrier discussions, supra, have deprived REA of procedural due process and amount to an unconstitutional taking of its property.15/ The Board cannot acquiesce in these contentions. In our view, REA has been accorded every procedural right. The Express Service Investigation was a most comprehensive evidentiary proceeding, in which the Board considered various forms of "express" service, including REA's, and in which REA was provided with every opportunity to present its case. In our view, the gravamen of REA's Ashbacker contention is not that the Board denied it a comparative hearing on this matter, but that, after hearing, the Board rejected REA's proposal. Furthermore, the airline discussions, to which REA repeatedly refers, have nothing to do with Ashbacker. They merely represent an effort on the part of the airlines to implement the Board's determination in the Service Investigation placing the airlines under an obligation to offer shippers an extra-fast airport-to-airport service. In any event, and as we have repeatedly said in our previous Opinions16/, the Board's decision does not in any way exclude REA from an equal and virtually unlimited participation in the air freight market with other indirect air carriers. In fact, as an air freight forwarder, REA will be able to offer whatever services it now offers as the air express ground agent. Finally, REA's contentions regarding the Board's failure to include REA as a party to the airlines' discussions have been previously raised by REA, and have also been rejected by the Board.17/

REA also argues that our decision will be overturned as based on speculation rather than fact. REA insists that we are precluded as a matter of law from ending our approvals of the air express agreements until we have passed upon air express rate levels and REA-airline division arrangements in the Investigation of Air Express Rates case. As discussed in our Supplemental Opinion, however, these arguments miss the point. The facts are clear, and indeed are not even seriously in dispute, that

---

15/ In a similar vein, REA contends that the presence of Board observers at the airline discussions prejudices its rights by exposing the Board to the ex parte views of the airlines. We perceive no prejudice. Moreover, the presence of observers is desirable in the public interest to ensure that the discussions are conducted within the guidelines established by the Board.

16/ See, e.g. Order 73-12-36, pp. 8, 20-21, 38 and, Order 74-5-25, pp. 5 and

17/ See, note 14, supra.

the air express system in its historic form cannot continue. Thus a break with the past is inevitable. In these circumstances prediction of the likely effects of at least partially untested ways of providing service to the public -- or what REA calls "speculation" -- becomes unavoidable; and we reject REA's thesis that we are legally precluded from acting on our judgment of what the future is likely to bring.

In respect to REA's insistence that we should have delayed acting in this proceeding until all issues in the Rates case were finally resolved, our Opinion and Supplemental Opinion discuss why that would have been futile. As we have said before, the low rates available under air express tariffs for some kinds of shipments are a strong consideration favoring the continuation of air express. But we previously concluded on the basis of the record then before us that air express could not be continued, and, as pointed out above, this conclusion has by no means been disproved by recent events. Thus awaiting the outcome of the Rates case would have served no purpose (even assuming that the record in the Rates case would have enabled us to establish an appropriate express rate level notwithstanding REA's apparent inability to provide meaningful cost data). The same is true in respect to the revenue division aspects of the Rates case, particularly since we concluded, and as REA has argued,18/ that a change in divisions would not be enough to return the air express system to health.

18/ See, e.g., Oral Argument Tr. at 19; (per counsel for REA) "I find it very hard to believe that even if the Examiner's decision in the rate case were to be modified by the Board in a way that REA would regard as a more appropriate calculation of airlines costs, I find it very hard to believe that it would be possible for REA to continue its present operations if it obtains nothing further from this case than what it already has, which is essentially what Examiner Keith has given us."

Lastly, REA's motion for a stay urges that the Board's decision in this proceeding amounts to a "major federal action significantly affecting the quality of the human environment" and therefore an environmental impact statement is required by Section 102(2)(c) of the National Environmental Policy Act. In making this assertion for the first time, REA offers nothing to support its claim that the Board's action will significantly affect the quality of the human environment. We have examined the matter and find REA's allegation without merit.

To establish our obligations under Section 102(2)(c) of the Act, we must measure the effect of our action upon the quality of the human environment, mindful that the word "significantly" in that section establishes a threshold of importance or impact that must be met before a statement is required. This action has no significant consequences.

As an air freight forwarder, REA will operate the same trucks it now uses to provide air express service. The same REA vehicles which once provided air express service will now provide air freight forwarding service, or the service will be provided by another air freight forwarding operator (Op. 18-19). REA asserts that the Board's order would result in the operation of additional vehicles which would add congestion at airports. However, there is no reason to believe that this result would occur, and, if it did, that it would have any significant environmental consequences.

To summarize, we find nothing in the record or any other basis for believing that our action (1) will cause adverse environmental effects in excess of those created by existing uses in the affected areas or (2) has an absolute quantitative adverse environmental effect, including any cumulative harm resulting from a contribution to existing adverse conditions or uses in the affected areas. Undoubtedly, there are a number of actions which the Board may take which will require preparation of environmental impact statements. We clearly understand our continuing duty under the Act to carry out its purposes and policies to the fullest extent possible. That obligation, however, does not require the preparation of an impact statement where, as here, we find that the effect of our action is environmentally insignificant.

ACCORDINGLY, IT IS ORDERED THAT:

1. The motion of REA Express Inc., for leave to file an unauthorized document, dated June 11, 1974, be and it hereby is granted; and

2. The motion of REA Express Inc., for stay of Orders 73-12-36 and 74-5-25 be and it hereby is denied.

By the Civil Aeronautics Board:

EDWIN Z. HOLLAND

Secretary

(SEAL)

TABLE I

Examples of Markets in which Delta, North Central, Northwest, or Southern provide the only direct service

Columbus, Ga.-Washington, D. C.	(SO)
Memphis-New Orleans	(DL, SO)
Memphis-Chicago	(DL, SO)
Memphis-St. Louis	(DL, SO)
Memphis-Miami	(DL)
Memphis-Indianapolis	(DL)
Minneapolis/St. Paul-Portland	(NW)
Minneapolis/St. Paul-Spokane	(NW)
Atlanta-Savannah	(DL)
Atlanta-Cincinnati	(DL)
Atlanta-Detroit	(DL)
Atlanta-Charleston, S. C.	(DL)
Kansas City-Sioux City	(NC)

Examples of Top REA Markets in which Delta, North Central, Northwest, and/or Southern Provide at least Half of the Daily Direct Frequencies

Market	Delta	North Central	Northwest	Southern
Chicago-Minneapolis-St. Paul			X	
Chicago-New Orleans	X			X
Chicago-Cincinnati	X			
Chicago-Louisville	X			
Chicago-Atlanta	X		X	X
Chicago-Miami	X		X	
New York City-Minneapolis-St. Paul		X	X	
Cleveland-Detroit	X	X	X	
Indianapolis-Detroit	X			

NOTE: Each of the above markets is one of REA's top 100 markets: See Exh. REA 209.

Table III

Monopoly points: Delta, North Central, Northwest, and Southern *

1. Delta

Manchester, NH

Brunswick, GA

Bangor, ME

Portland, ME

Presque Isle, ME

2. Northwest

Fargo, ND (with North Central)

Jamestown, ND

Grand Forks, ND (with North Central)

3. Southern

Anniston, AL

Decatur, AL

Dothan, AL

Florence, NC

Gadsden, AL

Mobile, AL

Tuscaloosa, AL

Elgin Air Force Base, FL

Albany, GA

Athens, GA

Moultrie--Thomasville, G

Valdosta, GA

Columbus, MS

Greenville, MS

Greenwood, MS

Gulfport/Biloxi, MS

Hattiesburg, MS

Laurel, MS

Natchez, MS

Tupelo, MS

University/Oxford, MS

Anderson, SC

Greenwood, SC

Jackson, TN

Shelbyville/Tullahoma, T

Meridian, MS (with Delt

* Table III does not reflect pointe at which these carriers are now suspended or points in issue in the New England Service Investigation.

Table III (continued)

Monopoly points: Delta, North Central, Northwest, and Southern

4. North Central

Alpena, Mich.
Benton Harbor/St. Jos., Mich.
Escanaba, Mich.
Hancock/Houghton, Mich.
Ironwood/Ashland, Mich.
Iron Mountain/Kingsford, Mich.
Manistee/Ludington, Mich.
Kalamazoo/Battle Creek, Mich.
Marquette, Mich.
Marinette/Menominee, Mich.
Pellston, Mich.
Saulte Ste. Marie, Mich.
Traverse City, Mich.
Bemidji, Minn.
Brainerd, Minn.
Chisholm/Hibbing, Minn.
Duluth/Superior Minn.
International Falls, Minn.
Fairmont, Minn.
Mankato, Minn.
Thief River Falls, Minn.
Winona, Minn.
Worthington, Minn.
Norfolk, Neb.
Devils Lake, N.D.
Fargo/Moorehead, N.D. (Fargo with NWA)

Aberdeen, S. D.
Brookings, S.D.
Huron, S.D.
Mitchell, S.D.
Watertown, S.D.
Yankton, S.D.
Beloit/Janesville, Wis.
Eau Claire, Wis.
Green Bay/Clintonville, Wis.
La Crosse, Wis.
Manitowoc/Sheboygan, Wis.
Oshkosh/Appleton, Wis.
Rhinelander/Land O'Lakes, Wis.
Wausau/Stevens Point, Wis.
Rapids/Marshfield, Wis.

Exhibit F

Order 74-6-117

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D.C.
on the 26th day of June, 1974

INVESTIGATION OF AIR EXPRESS RATES	DOCKET 22387

ORDER DENYING MOTION FOR STAY

By Order 74-5-23, entered in the above captioned proceeding, the Board found, inter alia, that the issue of the lawful future rates for air express service had been rendered moot by its decision in the Express Service Investigation (Order 73-12-36) to terminate REA's exemption authority to conduct air express service. In addition, the Board found that although the issue of whether it should attempt to retroactively redistribute between REA and the direct air carriers air express proceeds for prior periods was still ripe, the record and analyses developed by the parties on this issue was far from adequate for an informed judgment as to what the just, reasonable, and equitable divisions would be, or as to the Board's jurisdiction to prescribe such divisions. In this posture, the Board found it appropriate to request the interested parties to meet under the chairmanship of the Director of the Bureau of Economics, and to endeavor to reach agreement "with respect to such matters as the detailed air express traffic and revenue data for calendar years 1971, 1972, and 1973; methods of evaluating the divisions made under the formula outstanding during the period April 1970 forward; and, ..., an overall conclusion on the appropriate divisions for the period."1/

REA has now filed a motion requesting that the Board stay Order 74-5-23 pending completion of judicial review.2/ Answers

1/ Order 74-5-23 at 9.

2/ REA's Motion also seeks a stay of the Board's decision in the Express Service Investigation, Docket 22388. By Order 74-6-118, the Board denied the Motion as applied to the Service proceeding.

to the motion have been filed by the airlines participating in air express service ("Airlines"), Emery Air Freight Corporation (Emery), the Air Freight Forwarders Association (AFFA), and the Pet Industry Parties (Pet). 3/

Upon consideration of the motion and answers, the Board has determined for the reasons set forth below to deny the request. While REA apparently seeks a stay pending judicial review of the Board's order, it does not articulate the reasons why a stay is warranted, and we are unable to find that a stay is appropriate.

The Rates proceeding order which REA now seeks to stay principally involves two distinct findings: first, that the issue of lawful future express rates is moot as a result of the decision to terminate REA's express monopoly; and second, that the existing record is inadequate for determination of the issue of retroactive redistribution of express revenues from prior periods and that further procedures are necessary. REA's motion completely fails to support any claim that either of these two findings will result in any irreparable injury to REA. Accordingly, we cannot find any basis for grant of the stay. In addition, the findings on the state of the record with respect to retroactivedivisions do not constitute a final order of the Board on this issue and, therefore, are not ripe for judicial review. Hence, no basis for a stay pendente lite of this aspect of the order exists.

In our original order, we had sought to promote resolution of a number of issues underlying the retroactivity question through discussions between the interested parties. A meeting for this purpose had been scheduled for May 28, 1974, but was subsequently canceled at the suggestion of counsel for REA, who expressed the opinion that the meeting might not be productive in view of the pendency of the motion for stay. The Airlines in their answer took note of the cancellation of the meeting and suggested that rather than proceed with a meeting in accordance with the procedure outlined in Order 74-5-23, the Board first direct the parties to file briefs directed to the jurisdictional issue, and to consider the remaining issues only if the Board decides that it has jurisdiction.

3/ On June 11, 1974, REA filed a reply to the answers of Emery and AFFA accompanied by a Motion For Leave To File An Otherwise Unauthorized Document. We will grant REA's motion.

We do not agree. There are several different resolutions that can be made of the retroactive redistribution issue regardless of the ultimate finding on the jurisdiction issue. Accordingly, for the foregoing reasons as well as the reasons expressed in Order 74-5-23, we will direct a rescheduling of the meeting in accordance with the procedures outlined in our previous order. The procedural dates will be determined by the Bureau Director.

ACCORDINGLY, IT IS ORDERED THAT:

1. REA's motion for stay of Order 74-5-23 be and it hereby is denied.

2. The ordering paragraphs of Order 74-5-23 be amended to read as follows:

"1. An informal conference be convened by the Director, Bureau of Economics, for the purpose of assembling factual material and attempting to reach agreement on the divisions of revenues pursuant to operations conducted under Agreements CAB 12866 and CAB 17935, as amended, as set forth in Order 74-5-23;

"2. At the termination of the conference by the Director, he shall forthwith file with the Board a report, accompanied by such stipulations as have been agreed upon by parties to the CAB agreements cited in paragraph one; and

"3. If the parties to the above-listed CAB agreements cannot reach agreement on a stipulation of the divisions of revenue prior to the termination of the conference, the Director shall establish a procedural timetable for the filing by the parties with the Board of briefs and reply briefs addressed to the issues discussed in Order 74-5-23."

By the Civil Aeronautics Board:

EDWIN Z. HOLLAND
Secretary

(SEAL)

EXHIBIT GG

REA Express

INCOME STATEMENT

For the Period January Through May, 1974

(000's Omitted)

	January $	February $	March $	April $	May $
OPERATING REVENUES					
Surface	11 396	16 428	14 697	13 340	15 872
Air	8 384	10 550	8 870	8 157	10 217
Other	141	157	150	147	171
TOTAL	19 921	27 135	23 717	21 644	26 260
OPERATING EXPENSES	22 044	27 523	22 892	21 136	25 406
OPERATING INCOME (LOSS)	(2 123)	(388)	825	508	854
NON-OPERATING INCOME	9	1 133*	(51)	6	38
NON-OPERATING EXPENSES	186	259	177	103	191
PRE-TAX INCOME (LOSS)	(2 300)	486	597	411	701
INCOME TAX	(5)	(3)	(12)	(5)	(1)
NET INCOME (LOSS)	(2 295)	489	609	416	702

*Includes $1,064,000 profit on sale of 165,225 shares of Interway Corp. convertible preferred stock.